FINANCIAL TIMES

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WORLD NEWS

Bail of £500,000 set for Lyons

Financier Sir Jack Lyons was remanded on £500,000 bail until November 3 yesterday when he appeared at Bow Street magistrates court, London, on nine charges, including the alleged theft of £3.25m from the Guinness drinks group.

He was ordered to surrender his passport, but was told that it could be available for him by arrangement with the police. His counsel had said that he might require it for business or travel use.

The nine charges Sir Jack, 71, faces were summarised in court as two of theft, two of supplying false information, two of deception, one of supplying a falsified document, one of using a false instrument and one other under the Companies Act.

Mortgage fraud charges

Sixteen people, including four solicitors, appeared before Bristol magistrates charged with conspiring to defraud building societies. Police spent a year investigating frauds alleged to total £3m.

Philippines warning

The US would immediately cut all aid to the Philippines if military officers toppled President Aquino, the US State Department warned. **Page 2**

Turkish law ruled out

Turkey's Constitutional Court annulled the law making early general elections possible, throwing politicians into confusion. **Page 2**

Fathers jailed for abuse

A father was jailed for nine years at the Old Bailey for "wicked and systematic" sexual abuse of his daughter and stepdaughter. Another man was jailed for seven years at Oxford Crown Court after sexual assaults on his six-year-old son.

Belfast man shot dead

Retired taxi driver Francisco Notorantonio was shot dead in his bed in Belfast. Police believe Protestants killed him.

Prison for dentist

Manchester dentist Samuel Meharg was jailed for 12 months, eight suspended, for indecently assaulting a schoolgirl patient after giving her laughing gas.

Stalin's victims 'innocent'

Most of the victims of Stalin's purges in the 1930s were innocent, historian Yury Polyakov said at a Moscow Foreign Ministry press conference.

Zimbabwe whites to stand

Zimbabwe's ruling Zanu-PF Party has included 15 whites among candidates standing for parliament following the abolition of reserved white seats.

'Car bomb kills 27'

Afghan rebels set off a car bomb in the centre of Kabul, killing 27 people and injuring 35, said Tass Soviet news agency.

Clare Booth Luce dies

Clare Booth Luce, former US congresswoman and ambassador to Italy and widow of publisher Henry Luce, died in Washington, aged 84.

Victory for England

England, 246 (Lamb 67 no), beat West Indies, 243, with three balls to spare in a World Cup match in Gujranwala, Pakistan.

Something in the loch

Scientists searching for the Loch Ness monster said they found something "large and moving" 200ft below their sonar screens.

BUSINESS SUMMARY

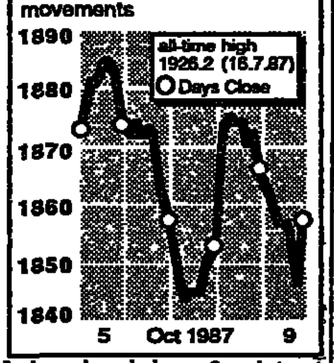
Ford and AEU agree single union deal

FORD MOTOR has reached a single-union agreement with the Amalgamated Engineering Union for a proposed £40m electronic components plant in Dundee, Scotland.

AEU leaders said the plant would have been built elsewhere had a number of unions been involved, but the white-collar unions Tass and ASTMS said they still intended to recruit there. **Back Page; Details, Page 4**

EQUITIES fell in London as investors fluctuated between the bearish sentiment on Wall Street and optimism towards the UK economy. The FT-SE 100 Index closed down 9 points at 2,366.5, a drop on the week of 15.7. The FT Ordinary Index lost 8.7 to close at 1,858.2, down 14.1 on the week. **Stock market, Page 12**

FT Index
Ordinary Share, hourly movements



BRITISH PETROLEUM: Thousands of potential investors in the upcoming privatisation have been thwarted by inadequate switchboard provisions in their attempts to register with the share office for preferential treatment. **Page 8**

LONDON Stock Exchange is investigating share dealings in Pearson, the group which owns the Financial Times, prior to the share raid by Rupert Murdoch. **Page 8**

WEST GERMAN financial markets were hit by the Government's confirmation that it was considering a 10 per cent withholding tax for most savings and capital investments. **Back Page**

FRENCH Government gave the go-ahead to a FFr12bn (£1.2bn) construction project for a high-speed rail link between Paris and the Channel tunnel. **Page 2**

MIDLAND BANK and the International Finance Corporation are setting up a $75m (£45m) investment company to convert Chile's debt into equity, the first such Latin American fund. **Back Page**

MEXICO'S inflation rate rose 6.6 per cent last month taking the total so far this year to 93.1 per cent, the Government reported.

MEDIOBANCO, leading Italian merchant bank, is to be privatised, leaving the Government with a 20 per cent stake. **Back**

AVIS, US car rental group, is to raise about $1.75bn (£1.07bn) by issuing bonds convertible into the shares of the London-listed company Avis Europe, the car rental and leasing group which yesterday announced the £94m purchase of Bradford-based motor dealer and contract hire group C.D. Bramall. **Page 8**

BRENT WALKER, leisure and property company, more than doubled interim pre-tax profits to £7.47m and announced the planned sale for about £50m of 45 Park Lane. **Page 8**

INTEL, US semiconductor maker, produced record third quarter net earnings of $81m (£49.4m) against a net loss of $114m in the same period in 1986. **Page 10**

DPP under pressure to charge Townsend with manslaughter

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE DIRECTOR of Public Prosecutions came under increasing pressure yesterday to bring a charge of manslaughter against Townsend Car Ferries over the deaths of 188 people in the Herald of Free Enterprise ferry disaster.

Sir David Napley, one of Britain's most prominent solicitors, who is representing relatives of two of the victims, said he had "not the slightest doubt" that the company could be prosecuted for manslaughter and that there was enough evidence to secure a conviction.

He would consider bringing a private prosecution on behalf of his clients if the DPP failed to act, although he was aware that the cost would be prohibitive.

"I shall be making representations to the director setting out the evidence and pressing for a prosecution," he said.

He believed the DPP had "a public duty to take action" in order to make sure everything possible was done to prevent a repeat of the tragedy.

The National Union of Seamen also said it was considering mounting a private prosecution accusing the company of manslaughter.

Mr Robert Hughes, the shadow Transport Secretary, has urged action against the company, in a letter to Mr Paul Channon, the Transport Secretary.

The calls for a court case, which would put the company on trial, follow the verdicts delivered by an inquest jury at Dover, which decided 187 of the victims had been unlawfully killed.

Mr Allan Green, the DPP, is studying papers passed on by the coroner, Mr Richard Sturt, and by Mr Justice Sheen, the High Court judge who chaired a public inquiry into the disaster.

Mr Green is expected to decide shortly whether to bring criminal charges against the three seafarers identified by both the inquest and the inquiry as the immediate cause of the disaster.

These are Captain David Lewry, master of the Herald; Mr Leslie Sabel, the first officer; and Mr Marc Stanley, the bosun, who has admitted forgetting to close the ship's bow doors.

Both the National Union of Seamen and Numast, the officers' union, said the seafarers were being made scapegoats for the company.

In his letter, Mr Hughes said: "If an airline had allowed a similar disaster it would no longer be flying. If company negligence had polluted or poisoned our environment, it would be in the dock. Yet for ferry companies we have nothing more than your assurance that the management has changed and everyone is eager to make amends.

Mr Hughes added: "When can we expect action to punish negligence by ferry companies?"

Peninsular and Oriental Steam Navigation, which owns Townsend, said the inquest verdicts would not affect the company's offer of compensation to victims, which is higher than legally required but has been criticised by some claimants.

Mr Michael Napier, the lawyer who represented claimants in negotiations with P & O, said a substantial number would receive more than £80,000, which is the limit set under international treaty.

Mr Napier, a specialist disaster lawyer, said that neither a coroner's jury nor moves by the Director of Public Prosecution could affect civil law compensation.

"The P & O offer was negotiated on the basis that the company had admitted liability and took recklessness and exemplary damages into account," he said. "It was the limit to which they were prepared to go under extreme pressure.

"There will be no re-negotiation because we believe the offer is more than English law provides. It is open to people to take it or leave it."

Sterling interview, Page 3

US vows to 'teach lesson' if Iranians attack again

BY LIONEL BARBER IN WASHINGTON AND ANDREW GOWERS IN DUBAI

MR CASPAR WEINBERGER, US defence secretary, yesterday defended his country's sinking of three Iranian patrol boats in the northern Gulf on Thursday and vowed to "teach lessons" if there were further Iranian attacks.

Mr Weinberger said the US was not seeking war with Iran. Its forces in the Gulf had acted in self-defence after being fired on by Iranian vessels. He warned: "Our men are not required to be hit before they respond."

Iran, meanwhile, denied Washington's assertions that the speedboats caused the incident by firing at a US surveillance helicopter. It said the Americans had fired first and it had then shot down an attacking US helicopter with a Stinger surface-to-air missile - a claim firmly denied by the Pentagon.

In an official protest note to the United Nations, Mr Ali Akbar Velayati, Iran's foreign minister, said: "America is increasingly baring its claws and fangs in the Gulf area, and this clearly shows that the region is on the verge of becoming another Vietnam. These military aggressions will eventually set fire to the whole region. The responsibility for the outbreak of a fully-fledged war in the region and the very dangerous consequences of violation of international laws rests with the US Government."

The US Administration officials sought to defuse alarm in Congress over the latest clash, which some Democrat critics see as pushing the US dangerously close to the brink of war.

Economic sanctions against Iran, which have received unanimous support from the US Senate in the last week, would have the advantage of involving Congress in US Gulf policy and deflecting pressure for the more extreme measure of invoking the 1973 War Powers Resolution Act.

The act requires the President to notify Congress when hostilities are imminent. If activated, it would set off a procedure under which Congress could order troops home within 90 days. The White House argues - as have successive US presidents - that the act unduly restricts executive authority.

Senator Robert Dole, Senate Republican leader, said the act did not apply to current circumstances: "Every time someone fires a pop gun in the Gulf we have a debate on the War Powers Act."

The senator, who is a Republican presidential candidate, said the main issue was US staying power and whether it could prove a solid and reliable partner in the eyes of its allies. He noted that European governments had lent their support to the Gulf escort mission and were relying on the US to stick to its word.

Western diplomats in the Gulf said the latest clash with US forces - more serious than the incident over two weeks ago, when US forces attacked and seized an Iranian vessel because, according to Washington, it had been laying mines - was likely to pose a dilemma for Iran's faction-ridden Government.

Tehran has hitherto conspicuously sought to avoid a showdown with the Americans, but the diplomats said it was difficult to see how the country could now avoid making some form of retaliation, given the severe loss of face it has suffered.

Well-springs of bloodshed, Page 2

Mountleigh Spanish stores deal

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

MOUNTLEIGH, the rapidly expanding property trading company headed by Mr Tony Clegg, is making its first major acquisition outside the UK by purchasing a loss-making Spanish department store chain for £153.38m cash.

The chain, called Galerias Preciados and owned by Organizacion Diego Cisneros, a multinational industrial group with retail interests, is the largest in Spain. It has 29 stores in Spain's principal cities - four of them in Madrid - as well as 10 office buildings and 17 warehouses.

Mountleigh's move follows its failure to negotiate a £1.8bn takeover of Sir Terence Conran's Storehouse group in the UK and then break it up. Mountleigh now has a small equity stake in Storehouse and Mr Clegg said he would not be initiating any new bid, although he would listen to any approaches from Storehouse.

The Spanish acquisition takes Mountleigh's property spending since the end of April to more than £800m.

The group has bought the former home of The Times newspaper in Central London for £22.5m; Stockley, a property company with business park and City developments, for £365m; and the portfolio of the Pension Fund Property Unit Trust for £271m. Over the same period it is believed to have made £500m from property sales.

Mountleigh's Spanish acquisition is a company which lost Pta9.3bn (£46.3m) in the year to last August and is subject to a reorganisation and recovery plan drawn up by the Boston Consulting Group. But Galerias Preciados also has property and other fixed assets valued in the August 1987 accounts at Pta84.8bn (£424m), or 2¾ times the purchase price.

The main source of Mountleigh's income is profit from buying and selling properties in the UK. So far it has not attempted property trading on any significant scale abroad.

It has undertaken to continue the Galerias Preciados recovery programme and to retain the present management team. Mr Clegg said the company had two attractions for Mountleigh. It was coming out of losses and, as he put it: "We can sell on a profitable retailer or float it on the Madrid Stock Exchange."

This marks a switch in normal British practice. Property companies have not generally sought to run department stores. Rather, retailing groups have built up property development and trading arms.

In the City the immediate reaction to the Mountleigh purchase was favourable. The shares, which have moved sluggishly recently in comparison with earlier sustained rises, climbed 21p to 285p.

Lex, Back Page

Thatcher set to lead Tories into the 1990s

BY PETER RIDDELL, POLITICAL EDITOR, IN BLACKPOOL

MRS MARGARET THATCHER yesterday promised a continuing programme of radical reform in Britain into the 1990s and signalled that she might remain Conservative leader until then.

In her rapturously received closing address to the Tory Party conference in Blackpool, she also warned that "reductions in nuclear weapons in Europe have gone far enough." However, she accepted that "the strategic weapons of the US and the Soviet Union could be reduced by 50 per cent without endangering Western security."

She argued that nuclear weapons would continue to play a vital role in preventing war in Europe, and Britain would press ahead with Trident and "the modernisation of our independent deterrent."

The central theme of her speech was that "our third election victory was only a staging post on a much longer journey. I know with every fibre of my being that it would be fatal for us just to stand where we are now."

Mrs Thatcher derisively dismissed calls for consolidation, saying: "We move on - applying our principles and beliefs to even more challenging ground. Our purpose as Conservatives is to extend opportunity and choice to those who have so far been denied them."

She stressed, in particular, the need for action in education and inner cities, while challenging the role of local authorities.

She drew a personal comparison with Lord Liverpool, the early 19th century Prime Minister, who, like her, won three elections in a row. She noted: "He was Prime Minister for fifteen years; it's rather encouraging."

Senior ministers believe that, health permitting, Mrs Thatcher's present intention is to remain as party leader untilat least the next election.

Her speech, though containing little new in policy terms, was given an 11-minute standing ovation by flag-waving party representatives. This reflected the congratulatory and euphoric mood of the week, as both ministers and floor speakers stressed their party's dominance in the face of a divided opposition.

The main debate of the day concerned Sunday trading, which showed broad divisions on the issue.A motion asking the Government to clarify the existing law was ultimately supported, along with some form of liberalisation.

The only discord away from the conference floor has been about the succession to Mr Norman Tebbit, who will shortly retire as party chairman.

Mrs Thatcher's favoured candidate isLord Young, the Trade and Industry Secretary, but this week, Mr Tebbit and senior ministers have been arguing that he shouldnot combine the chairmanship with his current post.

Mr Tebbit said publicly yesterday that his successor should hold a non-departmental Cabinet post. An early decision is expected.

The Conservatives intend to follow up the conference with a fund-raising direct mail shot next week to 500,000 people, mainly British Gas shareholders and former donors to the party.

In her speech, Mrs Thatcher said she regarded the extension of share ownership as one of the achievements of which she was most proud. She also twice went out of her way to praise Mr Nigel Lawson, the Chancellor, saying he was needed to keep the budget on a sound financial footing.

She devoted a lengthy section of her speech to education, arguing that the most important task of this parliament was to raise its quality. She stressed the need for radical change and sought to reassure parents that schools with which they were satisfied would not necessarily be affected.

Those schools which opted out of local authority control would become "independent state schools," she said, claiming that "there is no reason at all why local authorities should have a monopoly of free education." This was partly to answer the opposition charge that such schools might be fee-paying.

Turning to the problems of the inner cities, Mrs Thatcher attacked local authorities and said the number of the Government's reforms were aimed at freeing tenants from their dependence on council landlords, freeing parents to choose the schools they want for their children, and freeing businesses in urban development areas from irksome planning restrictions and controls.

Taken together, she said: "These measures will greatly reduce the power of the local council over tenants, parents, pupils and businesses: and greatly increase the opportunities open to those very people."

Overall, Mrs Thatcher said Britain today was "confident, strong, trusted." It was confident because attitudes have changed - "'can't be done' has given way to 'what's to stop us?'." She talked of a "national revival" and the Conservative task to lead the nation into the 1990s.

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WEEKEND FT

RECOVERY

American lessons on reviving dying industrial cities

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PERKS

The Inland Revenue has dropped what have been described as " absurd " taxes on perks

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DARK LADY

A complex series of heraldic and literary puns casts new light on the identity of Shakespeare's mistress

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CHRISTMAS

Only 65 shopping days till Christmas. Catalogues could ease the pain

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The new Figaro

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Soccer and US sport

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MARKETS

DOLLAR

New York lunchtime:
DM 1.8135
FFr 6.395
SFr 1.505
Y143.65
London:
DM 1.8135 (1.8225)
FFr 6.0425 (6.0675)
SFr 1.508 (1.5185)
Y143.8 (144.9)
Dollar index 100.9 (101.3)
Tokyo close Y144.

US LUNCHTIME RATES

Fed Funds 7 9/16%
3-month Treasury Bills:
yield: 6.87%
Long Bond: 89 27/32
yield: 9.93%

GOLD

New York: Comex Dec latest
$466.5
London: $461.25 (458.5)

STERLING

New York lunchtime $1.6525
London: $1.651 (1.6425)
DM 2.985 (2.9925)
FFr 9.975 (9.985)
SFr 2.49 (2.495)
Y237.5 (238)
Sterling index 73.3 (same)

LONDON MONEY

3-month interbank:
closing rate 10¼% (10 5/16)

NORTH SEA OIL

Brent 15-day Oct (Argus)
$18.85 (same)

STOCK INDICES

FT Ord 1,858.2 (−8.7)
FT-A All Share 1,216.26 (−0.2%)
FT-SE 100 2,366.5 (−9)
FT-A long gilt yield index:
High coupon: 9.99 (9.96)
New York lunchtime:
DJ Ind Av 2,518.77 (+2.13)
Tokyo:
Nikkei 26,338.77 (+52.02)

Chief price changes yesterday: Back Page

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Austria Sch22; Bahrain Din0.650; Bermuda $1.50; Belgium BFr48; Canada C$1.00; Cyprus C£0.75; Denmark DKr9.00; Egypt E£2.25; Finland Fmk7.00; France FFr6.50; Germany DM2.20; Greece Dr100; Hong Kong HK$12; India Rup15; Indonesia Rp3,100; Israel NS3.50; Italy L1600; Japan Y600; Jordan Fils.500; Kuwait Fils.500; Lebanon $L125; Luxembourg LFr48; Malaysia Rin4.25; Mexico Pes300; Morocco Dh6.00; Netherlands Fl3.00; Norway Nkr8.00; Philipines Pes20; Portugal Esc100; S.Arabia Rls6.0; Singapore S$4.10; Spain Pta125; Sri Lanka Rup30; Sweden SKr8.00; Switzerland SFr2.20; Taiwen NT$85; Thailand Bht50; Tunisia Din0.800; Turkey L500; UAE Dh6.50; USA $1.00.

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OVERSEAS NEWS

FT correspondents assess the Gulf situation, as seen from the hazardous waters themselves and from the US capital

Wellsprings of bad blood imperil US and Iran

BY ANDREW GOWERS IN DUBAI

AT LAST, after all the warnings and threats, the worst may have begun to happen in the Gulf. The clash on Thursday night between US and Iranian forces may have locked Tehran and Washington onto a collision course, deviation from which both sides may find very difficult.

The US Defence Department claims that its helicopter gunships sank three Iranian speedboats in self-defence, after a US surveillance helicopter had been fired at in the northern Gulf. The Iranian reaction has been predictably fierce - just as fierce as the threats of retribution from Tehran more than two weeks ago, after the Americans had attacked and seized an Iranian vessel which they say they had caught laying mines.

Iran has shown much reluctance to undertake a showdown with Western naval forces so far. Mr Ali Akbar Hashemi Rafsanjani, speaker of the Iranian parliament, was congratulating himself recently on Iran's restraint.

In the next few days, however, the force of the revolutionary regime's rhetoric, if nothing else, is almost bound to create political pressure within Iran for a bolder response.

No-one in Washington can pretend he was not warned that something like this might transpire as a result of the huge US military build-up in and near the Gulf during the last few months. It now involves nearly 30 warships. Apart from the Iranian objections, deep misgivings about Reagan administration policy in the region have been expressed among the governments of western Europe, in some of the Gulf states, in the US Congress and of course in the Soviet Union, which has called repeatedly for the withdrawal of all foreign navies in favour of a force under the UN flag.

Worries were expressed about what many observers, including some loyal Republican congressmen, saw as a dangerous confusion at the heart of the US drive to step up involvement in the Gulf, which began in early summer after Kuwait's request to place half its oil tanker fleet under the US flag and the Iraqi attack on the US frigate Stark.

The policy was ostensibly aimed to preserve freedom of navigation against what was claimed to be an Iranian threat, yet experts were quick to point out that Iran needs freedom of navigation more than any other state to maintain its vital oil exports.

Also, US policy was said to be designed to counter Soviet expansionism in the Gulf, yet there were those in Europe who argued that US and Soviet interests coincided to a remarkable extent over the Iran-Iraq war. It was supposed to reassure moderate Arab states of US support and steadfastness after the embarrassments of the Iran-Contra arms scandal, yet some Gulf Arab governments worry that it may result in a much more humiliating retreat by Washington - akin to its withdrawal from Beirut after the bombing of the US Marine barracks there four years ago.

In recent weeks, it may be argued, the picture has become somewhat clearer, in that US Navy has obviously been trying to contain Iran in the Gulf after Tehran's persistent refusal to accept the UN Security Council's call for a ceasefire. Even so, there was always a latent risk that containment could swiftly, accidentally, turn into confrontation.

That seems all the more dangerous, diplomatic efforts at the UN to end the Iran-Iraq war seeming to have all but run out of steam. Ambassadors in New York were discussing yesterday another proposed formula from Britain, designed to bring Iran into serious negotiations on a ceasefire and an inquiry into the origins of the conflict. There was little hope, though, that it would succeed. West and East now seem profoundly divided about what to do next.

For all that, there is a deeper wellspring to the events of this week. It can be traced back to the Iranian revolution and the overthrow of that key US ally, the Shah, in early 1979. As a result of all the humiliations which Iran's Islamic republic has heaped on what it calls "the Great Satan" over the years - from the seizure of the US embassy in Tehran to the kidnapping of American citizens by Iranian proxies in Lebanon - analysts in Washington say there are those in Government who would welcome the chance to settle scores with Iran. Despite repeated US avowals of neutrality in the Gulf war, there has been an obvious tilt in US policy towards Iraq this year.

"It is difficult for any US Government to look at Iran in a rational way," said one leading US expert on the Middle East at a recent conference in Britain. "There's blood between us."

Speaker Rafsanjani: Restraint diminishing

Senators seek votes to curb policy they find dangerous

BY LIONEL BARBER IN WASHINGTON

SOON AFTER the first reports that US Army MH-6 helicopter gunships had sunk three Iranian patrol boats in the Gulf, an angry Republican, Senator Lowell Weicker of Connecticut, took the Senate floor.

"Decisions of war and peace are clearly to be made by the president and the Congress," declared the former member of the Watergate investigation committee. "As these matters compound themselves, we all look like fools who are disregarding the law."

Mr Weicker's frustration on Thursday afternoon arose from President Reagan's failure to invoke the War Powers Resolution Act of 1973, which requires him as commander-in-chief to notify Congress within 48 hours after he has deployed troops "into hostilities or into situations where imminent involvement in hostilities is clearly indicated by the circumstances." The troops must be withdrawn within 60 days of the report unless Congress has granted approval.

That is the letter of the law. In the view of Mr Weicker - and of the numerous Democratic senators who muscled on to early TV programmes yesterday - the law applies to the swelling military conflict between the US and Iran in the Gulf.

Yet, despite all the noise, the chances of the US senate forcing the President to comply with the Act must be rated as minimal.

The Act sprang from Congressional concern about US involvement in the costly (and undeclared) Vietnam war. It was passed despite a weakened President Nixon's veto and marked a high point of Congressional influence on US foreign policy-making.

Since its enactment, four successive presidents (including the Democratic Mr Carter) have labelled the War Powers Act unconstitutional and said that it unduly restricts the executive in rapidly-moving diplomatic and military situations. Recognising this, presidents have sought to comply with the spirit of the Act by consulting Congress fully at such times.

Friction arises when Congress feels left out of a high-risk, controversial policy - in this instance the US decision to provide military escort to Kuwaiti oil tankers in Gulf waters.

Partisan politics also play a part. The Democrats hold a majority in the Senate and want to score points off a Republican president.

So far, the Act has proved a blunt weapon for Democrats. Two votes on amendments aimed to force executive compliance have failed to produce the number of 60 senators needed to break a filibuster. They have also fallen short of the 66 needed to over-ride a presidential veto.

Yesterday, the Senate was preparing to debate yet another amendment that would seek to limit presidential authority and give Congress a greater voice in Gulf policy. Observers believe this vote will also fail to pick up the necessary votes, the Republican core having held firm and some Democrats not wanting to signal US uncertainty to the rest of the world at a moment of tension.

What is missing, however, is some form of vote of Congressional support, on the record, for the administration's Gulf policy. That, more than the War Powers Act per se, is what bothers many lawmakers. If US casualities follow the clash of Thursday night, the pressure for a vote will be almost irresistible.

AP adds: US Energy Secretary John Herrington said yesterday the sinking of Iranian speedboats showed US readiness to keep the region's oil flowing.

"We are well prepared to keep the sealanes open," Mr Herrington said.

Construction faults halt work on China nuclear power plant

BY DAVID DODWELL IN HONG KONG

WORK ON China's controversial Daya Bay nuclear power plant close to Hong Kong has been halted because construction mistakes have been found.

The Hong Kong Government has asked for a full report and calls have been revived for an independent group to monitor the project.

Guangdong Nuclear Investment Corporation, which is responsible for the $4bn project, said yesterday that less than half the necessary metal reinforcing bars had been set in the first of five layers that will make up the power plant's cement foundations.

The error had arisen because of "misinterpretation of drawings by the designer" of the nuclear plant. While it admitted it was "not happy with what has happened," the corporation was reassured that mistakes had been detected at a stage where design alterations could be made without jeopardising the safety of the plant.

The corporation's assurances are likely to be received sceptically in Hong Kong. More than 1m people there last year supported a campaign seeking abolition of the project. The Daya Bay plant is 28 miles north-east of Hong Kong.

Assurances from French and British contractors co-ordinating work on the project have failed to allay fears that quality controls on construction projects inside China are not rigorous enough for a nuclear plant to be built with safety there.

While the project is on Chinese soil, it would not have been feasible without the co-operation of the Hong Kong Government. Almost three quarters of the electricity it will generate will be used in Hong Kong and the money for this is critical to the viability of the project.

The Hong Kong administration was criticised last year for its failure to reflect public opposition to the project, so news of this mistake will be as serious an embarrassment to the government as to the contractors.

Concerned at the reaction, the Hong Kong Government called yesterday for a full report.

Work is to be suspended until altered design plans have been approved by partners in the project.

Brazilian radiation leak 'worst Western accident'

BY IVO DAWNAY IN RIO DE JANEIRO

A WORLD Health Organisation official has described the radiation leak in Brazil as the worst ever in the western hemisphere.

Dr Gerald Hansen, a WHO medical expert sent to the stricken city of Goiania, 120 miles south-west of Brasilia, said only the disaster at the Chernobyl nuclear plant in the Soviet Union surpassed the gravity of the Brazil leak.

At least 58 people have been contaminated by toxic caesium-137 released when a scrap metal dealer smashed open a lead cylinder stolen by teenagers from apparently abandoned radio-therapy equipment.

Ten people who handled the glowing caesium powder are suffering from acute burns and sickness in a Rio de Janeiro hospital. It is feared others undergoing treatment locally may develop cancer.

The authorities are trying to calm the 700,000 people of Goiania, capital of the rural state of Goias. Officials of the National Nuclear Energy Commission made a number of helicopter sweeps of the city to track down radiation sources.

Mr Rex Nazare, commission president, has assured residents that all the affected areas have been located. "There are only seven locations with problems of contamination and they are mapped and under control. The population of Goiania can be calm, they run no risk."

Local people are reported still to be worried, shunning those who live in or near the affected areas or who have been in contact with victims.

Foreign medical and technical experts from the US, Soviet Union, Argentina and West Germany have been flown in to help with treatment and decontamination work.

Search for nominee to replace Bork begins

By Stewart Fleming in Washington

THE Administration of President Ronald Reagan, divided by the collapse of its efforts to secure the appointment of Judge Robert Bork to the Supreme Court, has begun the search for a new candidate.

This is even though Mr Reagan has continued to insist that he will press ahead with the fight for the nomination, which has yet to be withdrawn.

Yesterday Mr Edwin Meese, the Attorney General and, after Mr Reagan, Judge Bork's most ardent supporter in the Administration, said he expected Judge Bork to meet Mr Reagan again shortly to discuss whether to withdraw his name.

Mr Meese said the White House could move swiftly to put forward a substitute nomination.

Fifty-three senators have announced that they would vote against confirming Judge Bork, making clear that the Administration has no realistic chance of winning a floor fight.

For the White House, therefore, the issue is how best to limit the damage to Mr Reagan's political prestige.

One tactic being employed is for the White House to create the impression that Mr Reagan is willing to continue the fight and that the decision to drop the nomination, when it comes, will be the judge's.

This approach has the added appeal of putting the president in the position of still appearing to be on the offensive and prepared to wage a vigorous campaign on behalf of his next nominee.

However, Mr Reagan and his advisers know that they face a difficult decision in choosing an alternative to Judge Bork.

The strength and success of the opposition to the conservative judge has demonstrated that if another individual who can be portrayed as an extremist is put forward the White House can expect another bloody battle on Capitol Hill.

A case can be made for getting the Supreme Court vacancy filled as quickly and smoothly as possible.

Indian troops attack Tamil guerrilla bases

By Our Foreign Staff

INDIAN peacekeeping troops and Tamil militants fought gun battles in Sri Lanka yesterday, as the Indians finally attempted to prove with force that they intend to make the peace accord work.

They opened fire following three days of violence during which Tamil separatist guerrillas murdered 180 people in the northern and eastern provinces in a show of violent defiance against the peace agreement between President Junius Jayawardene of Sri Lanka and Mr Rajiv Gandhi, Prime Minister of India, on July 29.

The accord will give the Tamil minority a semi-autonomous homeland but many guerrillas are refusing to surrender arms and are fighting on for full independence.

Indian troops attacked guerrilla bases, seizing arms and arresting 98 Tamil militants. Mr Velupillai Prabhakaran, leader of the Tamil Tigers, the most powerful of the guerrilla groups, was said to be among those arrested.

France to build rapid rail link in north

BY PAUL BETTS IN PARIS

THE FRENCH government yesterday gave the go-ahead for the construction of a FFr12bn (£1.2bn) high-speed rail link in northern France, which will connect Paris with the new Channel tunnel and form part of a link with London in less than three hours of travelling time.

Mr Jacques Chirac, Prime Minister, announced the decision to build the link after a special inter-ministerial meeting yesterday. The government also fixed the route of the new French *train a grande vitesse* (TGV) service.

This service is also part of a wider European high-speed train network, to link not only Paris to London through the new Channel tunnel but also the French capital with Brussels, Cologne and Amsterdam. The new TGV link will also connect the international Charles de Gaulle airport in Paris with the city centre and with the northern city of Lille.

The government's decision yesterday is expected to give a big fillip to the Anglo-French tunnel consortium, Eurotunnel, which is about to launch an international share placement to finance construction of the tunnel. From the beginning, a high-speed train link, to reduce the journey from Paris to London through the tunnel to three hours or less, has been regarded as a key to the economic viability of the tunnel project.

French officials also indicated yesterday that European transport ministers are expected to decide on the construction of a wider, high-speed train network for northern Europe at a meeting in Brussels on October 26. This is also likely to have important implications for the Channel tunnel because it will connect the fixed link under the Channel to a network of northern European cities, including Brussels, Amsterdam and Cologne as well as Paris.

Mr Chirac said yesterday that the French northern TGV project would be financed by French national railways. The government did not intend to provide any direct state financial support for the scheme because it believed the project was commercially viable

Mr Chirac also said agreement had been reached yesterday to link, within Paris, the different high-speed train services which connect the capital with various parts of the country. This would cost FFr3bn to FFr4bn and would extend the range of the overall TGV network so that high-speed trains from London or Amsterdam could travel directly to the south of France.

US renews Manila coup attempt warning

BY RICHARD GOURLAY IN MANILA

THE US will immediately cut all aid to the Philippines if renegade officers in the Philippines succeed in toppling President Corazon Aquino, a senior State Department official has told a Senate committee.

Mr Gaston Sigur's comment was a repeat of the message first delivered at the height of the latest coup attempt on August 28.

Then, the US ambassador in Manila, Mr Nicholas Platt, telephoned the coup leader, Col Gregorio Honasan, when the rebels were close to winning the support of much of the disgruntled military.

Mr Sigur's statement came a day after Philippine armed forces chief, General Fidel Ramos, warned that a coalition of political and military forces were plotting to strike again against Mrs Aquino.

US aid is critical as the Philippine economy is still fundamentally weak despite signs of recovery. It will amount to about $300m this year. However, it includes compensation for the use of the two strategic US military bases - Clark Air Force and Subic Naval base. The US refuses to refer to the compensation as rent but it is hard to see how Washington could sustain a position of not paying any aid if a coup succeeded.

Mr Sigur said he repeated his warning because some elements in the Philippines were not taking the US threat seriously. Many Filipinos accuse the US of supporting former President Ferdinand Marcos long after his regime had become visibly corrupt and oppressive because, they say, Washington was primarily interested in the bases.

Congressmen who met Mrs Aquino with military commanders yesterday played down the chances that a new coup could be successful or that Mrs Aquino needed to assume any emergency powers.

Meanwhile, the American embassy in Manila denied that another renegade officer and failed coup leader had held a press conference in a house within Clark Air base in which he said he would try again to topple Mrs Aquino. The officer, Reynaldo Cabauatan, is loyal to Mr Marcos.

Corazon Aquino: coup danger

Court ruling puts early Turkish election in doubt

BY DAVID BARCHARD IN ANKARA

TURKEY'S political scene was plunged into confusion yesterday after the country's Constitutional Court annulled the law making possible early general elections on November 1.

However, Mr Turgut Ozal, the prime minister, appeared determined to press ahead with elections on schedule. The court ruling was not important, he said.

The court ruled that a clause in the law, stating that candidates would be nominated not by primary elections but directly by party leaders, was unconstitutional.

This implies that the early elections law would have to be amended by parliament and primary elections held. This would make it virtually impossible to hold general elections by November 1.

Observers said they thought the prime minister would try to rush a new election law and primary elections through in the minimum period possible, but it was unlikely this could done in time for November 1.

The elections may then have to wait until the end of the harsh Anatolian winter.

This would be a serious setback as it would mean months of uncertainty, and the 1988 budget would have to be drawn up before rather than after the elections.

Mr Ozal yesterday seemed inclined to brush aside the significance of the ruling. He said there was no question of having to reselect candidates or cancelling the elections.

This may mean that a head-on collision with the opposition on constitutional issues lies ahead.

The advantages however are all with the prime minister. He has broad executive powers and is politically once more in the ascendant. He remains by far the strongest contender in the elections

Commission forecasts EC growth of 2.3% in 1988

BY WILLIAM DAWKINS IN BRUSSELS

THERE WILL be no improvement in the European Community's uninspiring growth rate next year, the European Commission forecast yesterday.

Its latest economic predictions say the EC's gross domestic product will expand by 2.3 per cent in 1988. It forecast 2.2 per cent for this year, which was itself downgraded from earlier forecasts of 2.8 per cent.

"The acceleration of growth expected in 1987 never materialised," says the commission.

This means EC governments will make no overall impression on stubbornly high unemployment, which is expected to continue roughly unchanged next year at just less than 12 per cent.

Employment growth will fall slightly, from 0.8 per cent this year to 0.6 per cent in 1988, well below the rate needed to absorb the expected rise in the labour force.

France and Germany face the gloomiest general economic outlook, with GDP growth rates of about 1.5 per cent. Spain, Portugal, the UK and Italy are the stars in an otherwise lacklustre economic galaxy, with growth rates of around 3 per cent.

The community's poor economic future is partly a consequence of a decline in world trade, but also has internal causes, including a marked drop in the pace of investment in capital equipment.

Such investment will rise by 5.3 per cent this year, but only 4 per cent in 1988, and is a big factor in an expected slackening in the rate of growth in fixed capital formation, says the commission.

Growth in domestic demand is expected at the same time to slow, from 3.2 per cent this year to 2.7 per cent in 1988, according to the commission.

Italian nuclear vote campaign begins

BY JOHN WYLES IN ROME

ITALY'S fifth post-war referendum campaign officially got under way yesterday amid signs that the country will make history by voting for the first time to annul laws.

If this were to happen, however, the peculiarity of the Italian referendum means that the vote on November 8 would not establish what the nation's policies should be on the two main issues involved, nuclear power and the civil responsibilities of magistrates.

The questions on the ballot paper merely ask the voter to indicate whether existing laws should be struck out. Only the Republican Party is defending current legislation on the two issues, so strong affirmative majorities are thought likely in both cases.

That would entail politicians having to fill the resulting legal vacuum, which would inject new tensions into the five-party coalition government led by Mr Giovanni Goria, a Christian Democrat.

This would be the first time any Italian government has had such a problem. The previous four referendums - challenging reforms on such matters as divorce, abortion and wage indexation - left existing laws standing.

The prospects for a coalition agreement on the nuclear issue look much brighter, thanks to a recent convergence of positions between the two leading partners and arch-rivals, the Christian Democrats and the Socialists.

The Socialist Party, which appeared a year ago in favour of phasing out Italy's three small nuclear stations, has softened its position considerably. It now says it would complete one plant under construction, cancel others which are planned, and wait for the arrival of environmentally "safer" technology.

The Christian Democrats have moved several degrees by favouring the completion of the plant under construction and a moratorium on the building of new plants. Both parties now reject the idea that the referendum should be seen as a vote for or against nuclear energy in principle. Meanwhile, voters are being told by the Communists, the Radicals and the Greens that it is just this principle which is at stake.

Two of the three nuclear laws at issue allow the government to decide where to put a nuclear plant without the full agreement of local authorities, and to provide financial incentives to persuade authorities to agree. The third allows Italian participation in the experimental Super-Phoenix high-speed reactor in France.

Adviser to Queen sees ex-Fiji PM

By Robin Pauley, Asia Editor

A FORMER Prime Minister of Fiji met the Queen's private secretary at Buckingham Palace for 50 minutes yesterday after the Queen refused to meet him.

Meanwhile, Col Rabuka consolidated his hold on power and swore in his 22-member executive council. He had previously said elections would be held soon but yesterday announced they would not now be for a year.

Ratu Sir Kamisese Mara flew to London to try to prevent a complete break with the Crown following the declaration of a republic in Fiji by Colonel Sitiveni Rabuka, who overthrew the elected government with two military coups. Ratu Mara's mission comes as Commonwealth heads of government are heading for Vancouver for the opening of their conference, which opens on Tuesday and at which the Fiji crisis will be high on the agenda.

Neither Ratu Mara nor Buckingham Palace would comment on his meeting with Sir William Heseltine. Diplomats in Suva, the capital of Fiji, said Ratu Mara had hoped to present the Queen, who remained Fiji's head of state after independence in 1970, with proposals to solve his country's constitutional and racial crisis while retaining membership of the 49-nation Commonwealth.

The Queen continues to support her Governor-General, Ratu Sir Penaia Ganilau, as the sole executive authority in Fiji. All 10 nations with diplomatic representation in Fiji have refused to recognise the new military regime, whose aim to ensure that the indigenous Melanesians, now slightly outnumbered by Indians, are guaranteed political supremacy for all time.

Lhasa reinforced

CHINESE police kept a tight hold on the troubled Tibetan capital yesterday, with reinforcements arriving at Lhasa airport as expelled foreign correspondents were leaving, writes Robert Thomson in Lhasa.

Rumours of attacks on Chinese civilians, of planned protests by monks, and of the violent intentions of a Tibetan underground movement seeking independence have kept the city tense, despite the large police presence.

New Mbeki rumours

Rumours that the ailing ANC leader Govan Mbeki is to be moved from prison on Robben Island have flared again in South Africa, after he sent a telegram calling for an urgent meeting with his lawyer, writes Jim Jones in Johannesburg.

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UK NEWS

ZEEBRUGGE FERRY DISASTER

REPORTS BY KEVIN BROWN

P & O chairman sceptical over prosecution

SIR JEFFREY STERLING, chairman of Peninsular and Oriental Steam Navigation, was sceptical yesterday about both the likelihood and the morality of a charge of "corporate manslaughter" in the wake of the Herald of Free Enterprise disaster.

Sir Jeffrey, who became chairman of European Ferries nine days before the Herald capsized off Zeebrugge with the loss of 188 lives, said he would have been surprised if the inquest jury had brought in any verdict other than "unlawful killing".

However, he said that responsibility for the tragedy rested squarely on the shipboard staff who failed to close the bow doors and he strongly opposed a "witch hunt" against directors of European Ferries' operating subsidiaries.

He also spoke of the difficulties of making any public comment on the tragedy and of the likelihood of anything he said being misunderstood.

"Whatever I say I am [regarded as] a captain of industry and a capitalist beggar who is only interested in making a profit," he said.

For this reason, P & O has made little comment on the disaster, preferring to keep a low public profile on the causes. while stressing that safety precautions have been improved on all its ferries.

Sir Jeffrey emphasised, however, that company officials had been in almost constant touch behind the scenes with relatives of victims and remained eager to help with any cases of financial hardship.

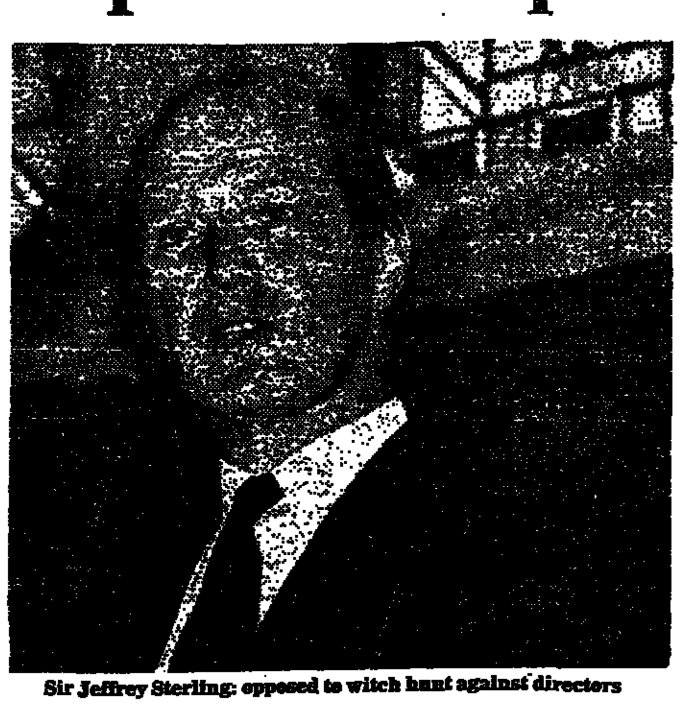
"We have acted as correctly as we possibly can, taking into account that nothing ever compensates for a human life, and beyond that you cannot comment," he said.

Sir Jeffrey recalled that P & O had agreed to pay levels of compensation well above the legal requirements and pointed out that that had been praised by Mr Michael Napier, the solicitor representing many of the claimants.

He accepted that many people would never agree that the payments being offered were fair, particularly in the light of huge damages often awarded to victims of similar tragedies in US courts.

"You cannot put a figure for compensation on a human life. Whatever figure you arrive at will never be satisfactory. Where do we draw the line? There has to be a sensible basis and a clinical way in which a court looks at it," he said.

"In the US it has got to the stage where many things have just become totally uninsurable and functions cannot be carried out."



Sir Jeffrey Sterling: opposed to witch hunt against directors

Sir Jeffrey said P & O had come into effective control of Townsend only a few days before the tragedy but it had swiftly accepted that it was responsible for the actions of its employees and had not sought to delay the public inquiry by disputing liability.

He said it would have been "ludicrous" to have pretended otherwise. That was quite different from suggesting that responsibility for the tragedy could be laid at the door of senior executives "sitting at their offices in Dover."

Sir Jeffrey said he had asked himself many times whether it was fair for these executives to carry the can for the accident, and he had decided it was not.

He drew an analogy with a bus driver who "mowed down" a group of schoolchildren in the street and he asked whether people would seek to lay the tragedy at the door of the bus company's management.

Sir Jeffrey pointed out that all the directors and senior managers of Townsend Car Ferries who had been in control of operations before the accident had left the company.

"Although I have rather strong feelings about some of those who have left, it would be wrong to suggest that they have a specific responsibility for what happened," he said.

He also pointed out that European Ferries was regarded, before the accident, as one of the best-run shipping companies around the UK coasts.

There were certainly no critics of its operations in either the industry or the City.

"I don't feel very fair-minded towards those who have gone, but, fundamentally, Townsend Thoresen [the European Ferries holding company for shipping operations] was and is a fine company," he said.

"Thousands of people are very proud of what they have done and are devastated about what is being said about it."

Sir Jeffrey said the blame for the accident could only reasonably be laid on those on board the ship."The blokes who forgot to shut the doors."

He said all Townsend's ships displayed instructions from the Trade and Industry Department on the bridge which stated that the sea doors must be closed before sailing.

Other masters of Townsend ships thought it ludicrous that arguments about responsibility should be taking place, he said.

The officers and crew of the Herald had known that the sea doors had to be closed before proceeding to sea and they had not done so.

It was "extraordinary" that anyone could suggest that responsibility for this simple oversight should be traced all the way through the company, possibly culminating in a corporate prosecution.

"The fact is that a few individuals let the side down," he said.

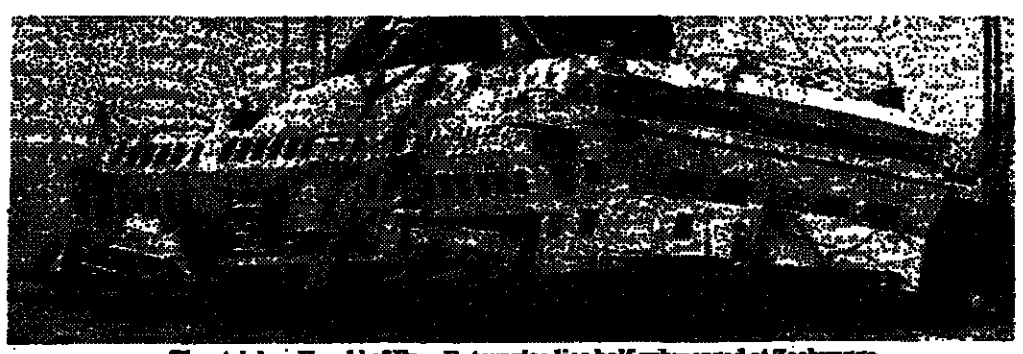
Sir Jeffrey said critics of Townsend were entitled to express their views. "Everybody is howling for blood. They may want to hang the last chairman. That is their prerogative I suppose but what court is going to do it?"

Sir Jeffrey said it would be up to the Director of Public Prosecutions to decide whether to pursue an action against the company but he believed it was very unlikely.

Doubt raised over position of former top managers

THE INCREASING pressure on the Director of Public Prosecutions to bring a charge of "corporate manslaughter" against the owners of the Herald of Free Enterprise raises the question of the position of senior managers who have since left the company.

Those were the people who ran the company in the years and months before the Herald capsized off Zeebrugge on March 6 with the loss of 188 lives.



The stricken Herald of Free Enterprise lies half submerged at Zeebrugge

Mr Justice Sheen, who chaired the public inquiry into the disaster, said in his report that his investigations led "inexorably" to the view that the underlying blame lay higher in the company than shipboard management.

The judge was critical of several named directors of European Ferries' operating subsidiaries, and complained that the board of Townsend Car Ferries had no proper comprehension of what its duties were.

Thatis is a view which expressed privately also within Peninsular and Oriental Steam Navigation, which took over Townsend's parent, European Ferries, on January 19, six weeks before the Herald capsized.

The European Ferries group has changed dramatically in the seven months since the takeover, to the extent that none of the people who could have been in Mr Justice Sheen's mind when he wrote his report are still with the company.

The consequence of that is that although a prosecution of European Ferries or one of its subsidiaries might satisfy those who would like to see the company punished, it would not affect the men who devised the rules under which the Herald operated.

The sequence of management and boardroom upheavals began in July last year when Mr Ken Siddle resigned as chairman of the main board of European Ferries three years after taking over from the founder of the company, the flamboyant Conservative MP Mr Keith Wickenden, who died in an air crash.

Mr Siddle was subsequently managing director for two months before retiring from the business completely after falling out with his replacement as chairman, Mr Geoffrey Parker.

Mr John Parsons, deputy managing director of the company's Dover operations, which included the Herald of Free Enterprise, left with Mr Siddle and for the same reasons.

At the same time, two directors connected with European Ferries' US property interests also left the company, as did four non-executive directors.

Mr Parker, who had previously run the successful port of Felixstowe, remained chairman until February 25, nine days before the tragedy, when he resigned, together with Mr Roger Braidwood, group finance director.

Mr Parker was replaced with Sir Jeffrey Sterling, who had been a non-executive director before the P & O takeover had left the company by March 31, with the exception of Sir Jeffrey Sterling and Mr MacPhail, neither of whom had executive responsibilities until nine days before the accident.

A similar change of personnel occurred on the boards of both Townsend Thoresen, the holding company for European Ferries' shipping operations, and Townsend Car Ferries, which ran the operations out of Dover.

According to legal advice, it is that company which would be the probable target of any criminal charges. This would be in accordance with the Health and Safety at Work Act, which places responsibility for accidents in the workplace, including ships at sea, firmly with the of European Ferries since January 21, 1986, along with his alternate director, Mr Bruce MacPhail, a fellow main board member of P & O. Mr MacPhail was appointed a full member of the board, together with two other P & O nominees on January 31 this year, after the takeover took effect.

There were further resignations in the weeks after the Herald capsized. Mr Jimmy Ayers, the group technical director, retired on March 31, a decision that had been announced before the accident. Mr John Briggs, the group freight director, left at the same time.

The effect of all those changes was that all the members of the main board who were in office operating company.

The directors of this company before the boardroom shakeups began were as follows: Mr Siddle, chairman; Mr Briggs, managing director; Mr Parsons, deputy managing director; Mr Anthony Young, operations director; and Mr Ayers, director and group technical director.

Mr Siddle and Mr Parsons left on September 11 last year, when Mr Parker became chairman of both European Ferries and Townsend Car Ferries.

Mr David Donhue was appointed deputy managing director in place of Mr Parsons and, on October 1 last year, Mr Braidwood and four other directors were appointed by Mr Parker. They were Mr R.G. Clarke, Mr C.R. Day, Mr J.K. Develin and Mr B.H. Thompson.

Mr Parker ceased to be chairman on February 25, when he left European Ferries. He was replaced by Mr Peter Ford, a P & O nominee who still occupies the post.

After the tragedy, Mr Braidwood, Mr Ayers, Mr Donhue and Mr Briggs all resigned between March 30 and May 31. Mr Clarke, Mr Day, Mr Develin, Mr Thompson and Mr Young have also left the company.

All the senior managers most severely criticised by the inquiry report, principally Mr Young, Mr Ayers and Mr Develin, were members of the board of this operating subsidiary.

Again, however, the effect of the boardroom changes is that none of the directors responsible for running the company in the period before the accident is still in office.

Court case 'is possible against Townsend'

TOWNSEND Car Ferries could be prosecuted for manslaughter in connection with the Herald of Free Enterprise disaster and would face a heavy fine if convicted, Sir David Napley, the lawyer representing relatives of some of the victims, said yesterday.

Sir David, who attempted to raise the prospect of such a prosecution during the inquest into 188 victims of the tragedy, said he would be sending evidence to the Director of Public Prosecutions to justify the claim.

Some commentators have indicated that there is no previous case in English law of a company being prosecuted for such an offence.

However, Sir David said the law quite clearly provided for such a prosecution, as long as the offence involved was not incapable of being committed by a company, such as bigamy or perjury, and providing the penalty provided by law was not mandatory imprisonment.

That would rule out, for instance, a prosecution for murder but would allow a charge of manslaughter to be brought because for that the penalty is either imprisonment or a fine.

Sir David said there was a clear responsibility in law for a shipping company to carry out its affairs with proper regard to the safety of its passengers. The evidence in this case, which had been revealed in the Sheen report, showed that the whole approach of the company was "cavalier," he said.

"The only time they did anything, if they did it then, was when something went wrong."

Sir David said there was a responsibility on management to make sure that fail-safe systems existed to prevent such a tragedy flowing from human error.

Townsend had failed to provide an efficient system.

Sir David said the law was also quite clear that a company was responsible if the "directing minds" of a company had done something in its name that was criminal.

That had been laid down in the case of Tesco versus Nattrass, in which Lord Denning had said that in any organisation some people were the directing minds and some were "mere hands" and attention had to be directed to those who were directing events.

In this case both the directors and the masters of the ship had every power to do whatever was necessary for safety without reference to anyone else.

Again, evidence disclosed by the Sheen inquiry had shown that Townsend ships had put to sea with the sea doors open on five previous occasions and nothing had been done.

Sir David said it was true that P & O had improved safety precautions on its ships by installing sea door warning lights, together with video cameras through which a visual check on the doors could be made.

The company had also introduced a positive reporting system to replace the previous regime under which the ships sailed unless the master was specifically informed that something was wrong.

Group Lotus plans to boost output by 50%

BY JOHN GRIFFITHS

GROUP LOTUS, the sports car maker, has firm plans to increase production next year by nearly 50 per cent from 850 to about 1,200, chief executive Mr Michael Kimberley said yesterday.

Outlining the group's strategy for well into the 1990s, Mr Kimberley said a range of new models would include an £80,000 to £90,000 supercar, the M300, to be launched in 1990. Fewer than 200 of the cars will be produced annually.

The M100, a small sports car that would be "the Elan of the 1990s" was on target for a late 1989 launch with eventual production of 3,000 units a year. The range would be completed by developing and improving the existing Esprit and Excel models.

Mr Kimberley also disclosed that Lotus had acquired an additional 55 acres adjoining its existing Hethel, Norfolk, site to accommodate further expansion of its existing Esprit and Excel ranges over the next five years.

Mr Alan Curtin, Group Lotus chairman, said that on the basis of its recent performance, the group was worth about 450p a share, compared with the 120p at which trading was suspended prior to General Motors purchasing the group 20 months ago.

Lotus will publish financial results for 1986 on Monday which will show that the sports car and engineering consultancy group made pre-tax profits of about £2m, compared with a loss of around £1.5m in 1985.

General Motors in Detroit and Mr Curtis said there was no truth in speculation that GM was planning at least a partial float of the revitalised group in the UK.

Said Mr Curtis: "The Board of Lotus would be delighted if General Motors did intend to float it off." However, that had not been raised as a possibility.

GM acknowledged that the world's largest vehicle producer was examining options for the future of all its operations, including its string of acquisitions. But even a partial disposal of Lotus so soon after its acqusition was not being considered.

GM's support for Lotus, which was promised complete independence by chairman Mr Roger Smith, has exceeded the hopes of the Lotus UK board hopes since the acquistion. Originally asked for £34m to fund a five-year expansion programme for the Norfolk-based company, GM has subsequently agreed to provide guarantees totalling £57m.

Vehicle output still rising

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

CAR AND commercial vehicle output continued to rise strongly in September.

Car production reached 844,000 in the first nine months. Even if in the final quarter it returns to the 1986 level, the UK will produce more than 1.12m cars this year - the best performance since 1978.

According to Department of Trade and Industry provisional estimates, car production last month, on a seasonally adjusted basis, was 110,000 compared with 100,000 in September last year.

Ford and General Motors-Vauxhall have been replacing more of their imports with UK-built cars and that helped output in the last six months to rise 16 per cent above that for the same months of 1986.

Commercial vehicle output, seasonally adjusted, was 24,800 in September against 19,900 in the same month last year.

In the last six months, production of commercial vehicles was 4 per cent higher than the corresponding period last year.

Accepting houses body faces change

BY RICHARD WATERS

THE ACCEPTING HOUSES Committee, the exclusive trade association for British merchant banks, has no immediate plans for change in spite of the first sale of one of its members to a foreign institution.

Guinness Mahon, which last week became a subsidiary of Equiticorp, a New Zealand group, is the first non-British institution in the association, which has remained staunchly parochial in its 73-year history.

But Guinness Mahon will not be thrown out - and other institutions will not be allowed in - until the committee completes a year-old review of its scope and operations.

The committee is waiting to see "precisely how much fall-out there is" among merchant banks before deciding on its future, said Mr Robin Hutton, its director general.

But most agree that change is inevitable, and that all investment banks should be represented through a joint association. "Something like a British investment bankers' association might be more appropriate," said Mr Michael Hawkes, chairman of Kleinwort Benson, yesterday.

One way of achieving this, said Mr Hawkes, would be to merge the committee with the Issuing Houses Association, which respresents the corporate finance interests of banks, and the Securities Committee of the British Bankers' Association, which oversees the securities operations of the large commercial banks.

"But no decision on this has been made yet," said Mr Hawkes, who heads all three organisations.

Any widening of the AHC is likely to meet with Bank of England approval. "If there is an identifiable and homogenous group of institutions we do find it useful to talk to the group rather than to individuals," said a Bank of England official.

Tax avoidance 'costing millions', says Labour

BY TOM LYNCH

THE TREASURY is losing millions of pounds in revenue because of loopholes and abuses in the tax system, Mr Gordon Brown, shadow Chief Secretary to the Treasury, said yesterday in the opening shot of Labour's fair taxes campaign.

He said: "Millions are being lost to the Treasury through Tory failure to expose tax freeloaders who are using income tax loopholes and capital tax avoidance schemes and abusing tax relief systems to escape paying their proper share of taxes.

"The Government is tolerating abuses which are neither just nor good for the efficient running of the economy."

The new Labour drive - agreed by the shadow Cabinet this week - aims at presenting the tax system as unfair to the ordinary taxpayer and at campaigning against government tax policies, particularly the proposed community charge or poll tax, in the run-up to next year's Budget.

Mr Brown said: "What the Tories are doing by stealth and manipulation is to make Britian a tax haven for the few and their tax system a misery for millions."

He made clear his determination to stake out Labour's ground as the party of fair taxes, and argued that the poll tax presented the party with a big political opportunity.

Mr Brown said the proposed tax was unjust and inefficient and would involve serious invasions of personal privacy as inspectors checked on where people were living.

Peps scheme 'attracts new investors'

THE TYPICAL first-time personal investor in the stock market under the Chancellor's personal equity plan is a 57-year-old northern housewife who puts in £1,200 from her building society account, according to a Bradford and Bingley Building Society survey.

Critics claimed that only large investors would use the scheme to shelter a small part of their portfolios from tax.

But Bradford and Bingley found 54 per cent of its sales in July and August came from people who had never invested in the stock market, while the rate of purchases among semi-skilled and unskilled workers was almost twice that of professional people.

Channel Islands to bring change in company status

BY EDWARD OWEN

A NEW type of tax-exempt company is to be introduced in the Channel Islands to enable non-resident companies to be formed without having to show that they are physically controlled from outside the jurisdiction.

At present such companies, which pay a flat levy of £500 a year instead of local income tax, must have a majority of non-local directors and hold their board meetings in another location.

As a fiscally separate area from the rest of the Channel Islands, the feudal isle of Sark has been increasingly used as the base from which non-resident Guernsey, Jersey and Alderney companies are nominally controlled.

That has given rise to what is known as the "Sark lark" - the wholesale recruitment of directors from the small island's 500 inhabitants

Professional bodies in Jersey and Guernsey have been pressing the authorities for some time to take some action.

The finance committees of Jersey, Guernsey and Alderney have now agreed to bring in legislation to change the requirements for non-resident companies.

As well as relieving professional local people of the need to travel to Sark or more distant locations for board meetings, this will enable the authorities to exercise closer supervision.

The only losers will be the inhabitants of Sark, some of whom make substantial incomes from holding dozens of directorships.

Police chief calls for more lawyers

Financial Times Reporter

MANY MORE lawyers are needed to keep up with the burdens of the new Crown Prosecution Service, the Association of Chief Police Officers said yesterday.

Mr James Anderton, Manchester chief constable and the association's retiring president, said the service was desperately short of staff and needed 50 per cent more lawyers.

The police had serious misgivings about the effects of setting up the service and their fears had been realised. There was a delay in processing cases and an additional administrative burden on the police. He also claimed Home Office forensic science laboratories were short of resources.

French holidays specialist goes into liquidation

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

FRENCH LEAVE, a small tour operator specialising in holidays to France, has become the latest casualty in the competitive package tour market.

The company went into liquidation yesterday although holidaymakers will lose no money as a result.

The Association of British Travel Agents said yesterday that the 80 Britons on French Leave holidays in France would be able to complete them. Those who have booked holidays will be able to claim refunds under ABTA's bonding scheme.

The collapse of French Leave follows those of several other small tour operators that have gone out of business in recent weeks. These operators suffered from the fierce price war among the leading travel companies which were forced to cut prices sharply during the summer to sell holidays.

Smaller operators, lacking the financial resources of the main companies, are the most vulnerable to an industry price war.

Mr Robinson makes a tactical withdrawal

Our Belfast Correspondent analyses likely motives for the resignation of a key Northern Ireland Unionist

MR PETER ROBINSON resigned as deputy leader of the Democratic Unionist Party earlier this week because of what he sees as basic tactical flaws in the Unionist campaign against the Anglo-Irish agreement.

The 38-year-old MP for East Belfast has been one of the accord's fiercest critics and his surprise resignation has again focused attention on the campaign's effectiveness.

Mr Robinson is not commenting on the motives for his decision until he has consulted his party executive, but it is understood to have stemmed directly from Unionist leaders' failure to act on the recommendations of the Task Force report of which he was co-author.

The Rev Ian Paisley, DUP leader, and Mr James Molyneaux, his Official Unionist counterpart, commissioned the report, briefing the team to secure support for the anti-agreement campaign and discover what consensus, if any, existed about alternatives to the accord.

The task force, consisting of Mr Robinson, Mr Harold McCusker, his Official Unionist counterpart and Mr Frank Millar, general secretary of the OUP, reported back in June.

Their report, An End to Drift, backed devolution and called for a investigations into the feasibility of formal negotiations with the Government. They also advocated the creation of a Unionist convention to 'construct and lead a renewed campaign to manifest the absence of consent for the arrangements by which Northern Ireland is presently governed.'

They further suggested that 'no matter' should be excluded in the attempt to find a reasonable alternative to the agreement.

It was the failure of Unionist leaders to implement any of those key proposals that caused Mr Robinson to resign. While not entirely satisfied with the conclusions himself, he considered that their implementation provided the best tactical approach at present.

The convention, he believes, would have brought various strands of Unionism together to step up the province-wide campaign against the agreement. If the Government failed to respond during the talks process, it would at least be aware that Unionists were together and ready to take the campaign a stage further.

But many Loyalist hardliners interpreted the proposals as a green light for power sharing, a theory which Mr Paisley and Mr Molyneaux quickly dispelled. Their response was to enter into 'talks about talks' with senior government officials, a move which has so far led to one informal meeting with Mr Tom King, the Northern Ireland Secretary.

Mr Robinson gave a clue to his thoughts in a broadcast in the Irish Republic recorded before his decision to stand down was made public. In future months, he said, people would look back at the task force report and see it as a 'lost opportunity.'

Mr Paisley has not been drawn into the controversy surrounding Mr Robinson's decision, but some senior DUP figures hope that Mr Robinson will reconsider his decision to resign since they regard him as one of their most articulate and effective spokesmen.

For his part, Mr Robinson has indicated that he intends to retain party membership and continue as MP for East Belfast.

UK NEWS

Broadcasting minister to go on US fact-finding trip

BY RAYMOND SNODDY

MR TIMOTHY RENTON, the Home Office Minister responsible for broadcasting, is to spend most of next week in North America on a fact-finding tour which will include a review of the progress of subscription television in the US.

The trip is part of the process leading up to the production of a white paper on broadcasting in advance of a broadcasting bill expected to be introduced into Parliament next autumn.

Mr Renton will have talks with the Federal Communications Commission, which has recently overseen significant deregulation of broadcasting in the US, the National Association of Broadcasting, the ABC, the American network company and the public broadcasting system.

He will also spend two days in Canada where a regulation-privatisation battle resembles similar policy debates in the UK.

Canada, like the UK, is in the throes of producing a new broadcasting act. Recently Ms Flora MacDonald, the Canadian Communications Minister, said she had reservations about the pro-regulatory approach of a committee of inquiry.

She has made clear that she wants the committee to look at plans for the privatisation of television stations owned by the Canadian Broadcasting Corporation - the Canadian equivalent of the BBC.

Mr Renton is expected to look at how relevant the North American experience is for the UK.

Although the visit may alarm some British broadcasters, it provides further evidence that the Government has yet to make up its mind on what should be in a broadcasting bill designed to take British broadcasting into the next century.

Because of the complexities of the issues, it is possible that there might be two white papers. The first could deal with existing broadcasting issues such as the future of ITV. A second could deal with longer-term matters such as a fifth channel or MMDS - multi-point microwave distribution systems - that have still to be technically evaluated.

● Mr David McCall, chief executive of Anglia Television and chairman of the ITV Association, has warned that a broadcasting free-for-all in Britain would render the ITV regional system unviable and deprive UK viewers of their local programme service.

Speaking at the opening of Anglia's regional news centre at Ipswich, Mr McCall said he did not fear competition "but programme-making is a cultural activity and too much emphasis on competition and market forces may endanger programme standards."

Venture capital group plans expansion

By Peter Marsh

A CAMBRIDGE-BASED venture capital company backed by three leading pension funds is attempting to raise £12m to expand its activities in financing new technology-based enterprises.

Prelude, which was set up in 1985 with funds of £6m, has so far committed just over half that figure in supporting about 10 small ventures involved in areas such as electronics, materials, innovative printing techniques and software.

Mr Bob Hook, managing director, said the new funds were needed to continue the company's investment policies over the next few years.

The pension funds of British Rail, British Gas and the UK water authorities - all of which put cash into Prelude's original fund - have said they will contribute more cash for the company's future activities.

Other backers include ECI, a London-based venture capital company, and Cambridge Consultants, a contract-research concern which has a minority stake in Prelude.

Arts Council reports double achievement

By Antony Thorncroft

SIR William Rees-Mogg, chairman of the Arts Council, reported two achievements and one setback in his annual report for 1986-87 yesterday.

The achievements were the success, both financial and artistic, of London's South Bank arts complex, which the council inherited from the GLC, and the increase in arts funding in the regions, which has risen from £36.7m to £53.1m in three years.

The council has largely handed over funding in the provinces to the regional arts associations, which have often managed to persuade local politicians to raise their expenditure.

The disappointment, as ever, has been in the level of government funding for the Arts Council. In real terms it fell in two successive years and the grant for 1987-88 was also lower. However, Sir William complimented arts organisations on their ability to raise extra revenue.

The council will soon be approaching the Government about its grant for 1988-89. This will have built into it money for incentive funding, to be allocated to groups who show they can raise income through more efficient marketing.

Peter Marsh traces the path of PA Technology's 'bombshell'

The bell tolls for a top consultancy

"THERE WAS a lot of fun in it; something new was always happening though sometimes the place could be a bit far out."

That is how one ex-employee described life at PA Technology, Britain's biggest and best-known technology consultancy, which has been shaken in the past fortnight by the resignation of 29 top managers to set up a rival concern.

The defectors, who included Mr George Buchanan, PA Technology's former chief executive, and Mr Peter Hyde and Mr Gerald Avison, his two most senior colleagues at the company, have left to form The Technology Partnership, a technical consultancy financed by Mr Lawrence Wilson, an Australian entrepreneur.

The events have shaken the whole of the PA group, one of Britain's most highly thought of firms of management consultants, which set up PA Technology in 1970 as its technology-development arm. One senior PA manager described the upheaval as "a bloody great bombshell."

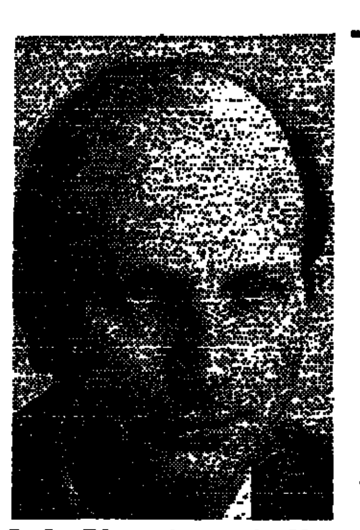
It is widely believed that Mr Wilson and his new colleagues would like to buy PA Technology from the group, although PA says it is not for sale. The new consultancy is 55 per cent owned by its staff.

PA Technology, which has a staff of 350 and contributes about a sixth of PA's total annual revenue of £120m, has built up a worldwide reputation for applying technical ingenuity to business problems, particularly in product and process development.

With two laboratories - in Melbourn, near Cambridge, and in the US at Princeton, New Jersey - and with annual sales of about £20m, the company's client list includes a number of the world's industrial heavyweights. Among them are IBM, Johnson and Johnson, Philips and Bosch.

The company has a name for flamboyance. Its two laboratories are extravagant high-tech palaces, designed by Mr Richard Rogers, the architect of the Lloyd's headquarters in the City.

Staff are well rewarded. An engineering consultant in his mid-30s can earn £35,000, and fees are high to match the salaries. A day's work from a top PA Technology consultant can cost a client £800, or £1,000 if the project is overseas.



Gordon Edge: not constrained by the laws of physics

Yet for at least the past year, matters have been far from well at PA Technology. The most visible sign of disarray was the resignation in September last year of Mr Gordon Edge, the company's mercurial chief executive who had run PA Technology from the start.

Mr Edge, a member of Britain's Advisory Council on Science and Technology, which advises the Prime Minister, had in the late 1960s conceived the idea of a technolgy-development company that would feed from contacts provided by a broadly based consulting group.

After selling the concept to PA, Mr Edge quickly built up PA Technology (or Patcentre as it was originally called), adding to the Cambridge base new laboratories not only in Princeton but also in Brussels and Melbourne, Australia.

In spite of the hefty capital outlays that such steps involved - the Princeton laboratory alone cost at least £10m, while the company has also spent heavily on technical equipment such as microchip design tools - PA Technology made healthy profits.

"Gordon set the culture for the place," says Mr Simon Davey, an ex-PA Technology employee who is now a director of Core Consulting Group, a UK technology consultancy. "He has tremendous innovative insight in spotting new [technical] ideas and driving them forward."

Mr Douglas Fernie, a former manager at PA Technology who is technical director of Oxford Analytical Instruments, part of the Oxford Instruments group, says: "Some of [Mr Edge's] ideas could be outrageous. He would sell projects to clients and tell colleagues about them afterwards. He was not constrained by the laws of physics.'

According to other former PA Technology employees, however, the management of the company suffered as it grew bigger.

Attempts to integrate PA Technology more fully with the group gained fresh momentum after Mr John Foden became chief executive of the PA group in July 1985.

As part of Operation Phoenix, a drive within PA to rethink its business operations, Mr Foden proposed taking from PA Technology responsibility for its overseas activities, putting them in the hands of group executives responsible for specific territories.

About the same time, senior managers at PA Technology had their first thoughts about a management buyout.

The motivation for this stemmed partly from unease caused by Mr Foden's moves and partly from general frustration about the difficulties of generating cash for new technical ventures.

PA's corporate structure is unusual in that it is owned by a trust, which holds shares on behalf of the employees. PA thus may not issue new equity. It has, however, announced plans to float at least part of the company on the Stock Exchange in the next five years.

Mr Edge denies that his resignation last year was due to unhappiness about the relationship between PA Technology and the rest of the group. He says he left "to pursue other ideas about doing business."

The former PA Technology chief executive is now in charge of a new consultancy, Generics Holdings, based in Cambridge with a number of ex-PA Technology staff.

As for Mr Foden's ideas about integrating PA Technology into the rest of PA, Mr Edge says: "The original strategy of letting PA Technology grow by standing on its own feet was a good formula. The new chief executive [Mr Foden] has rationalised it. It [the new strategy] is perfectly valid, but it wasn't mine."

After Mr Edge left, PA Technology's Brussels laboratory was shut as part of Mr Foden's new policies. The laboratory in Melbourne, Australia, was later subject to a management buy-out, also partly financed by Mr Wilson.

Other key staff began to drift away. "Once Gordon Edge departed, the bell tolled for PA Technology," says another ex-employee, Mr Mike Gronow, managing director of Cambridge Life Sciences, a biotechnology company.

Yet many people associated with PA Technology have an overriding feeling of sadness about the new Australian-backed breakaway.

'I don't want to take sides in this,' says Mr Stuart Exell, a former senior manager at PA Technology who left this year to join BBN, a US consultancy group. 'But the consequences are destroying something that it has taken many years to build up.'

THE TECHNOLOGY Partnership, the new consultancy formed by former managers at PA Technology, aims for annual sales of £2.5m in its first year, Mr George Buchanan, managing director, said yesterday.

He hopes staff will build up in a year from the present 29 ex-PA Technology employees to about 100.

The company has moved into premises in Melbourn, near Cambridge, not far from PA Technology's headquarters. Apart from work in product development on behalf of customers, the company plans to take equity stakes in new technology-based ventures.

The Technology Partnership is being set up with an initial investment of £1m

RUC given disclaimer on code

By Our Belfast Correspondent

SIR JOHN HERMON, Chief Constable of the Royal Ulster Constabulary, yesterday sent the force's 11,000 officers a message emphasising that the RUC's new code of conduct did not emanate from the Anglo-Irish agreement.

Sir John emphasised that the drawing up of new guidelines, which the force will receive shortly, had started before the signing of the Hillsborough accord.

Unionists have consistently claimed that the measures are part of the Anglo-Irish deal. Mr Peter Robinson, the Democratic Unionist MP for East Belfast, predicted this week that the British Government would "cave in" to pressure from Dublin and introduce the code immediately.

Earlier this year, Dr Garret FitzGerald, the republic's former Taoiseach, expressed concern about delays in introducing the guidelines.

The new code, details of which are not being released, will be incorporated in the existing RUC manual distributed to all recruits.

Sir John denied suggestions that there was a political motive behind publication of the code. He said: "I wish to make it clear once and for all that the origin of professional police ethics in Northern Ireland has nothing to do with the Anglo-Irish agreement."

Rise in rented homes in assured tenancy scheme

BY ANDREW TAYLOR

THE NUMBER of homes for private renting built under the Government's assured tenancy scheme has risen sharply in the last 12 months, according to figures published by the Environment Department.

The report shows that the number of homes built under the scheme had risen to 3,000 by April this year from 600 a year earlier.

A further 5,400 homes are under construction or planned, says the department.

A white paper last week proposed that most new private and housing association lettings should be on the basis of assured tenancies.

The proposals, designed to encourage private investment in rented housing, will mean a change for associations, which will no longer be able to let properties under fair rent legislation.

Assured tenancies, introduced in 1980, allow tenants to retain security of tenure but permit landlords to negotiate market rents. The average weekly rent under the scheme is £39.

Mr William Waldegrave, the Housing Minister, said: "This survey is encouraging confirmation of increasing interest by responsible private landlords and investors in providing housing to let at market rents."

He added: "The changes we propose will make the assured tenancy scheme easier to use for both landlords and tenants."

N Sea contract awarded

FINANCIAL TIMES REPORTER

AMERADA HESS, operator for the group of oil companies developing the Ivanhoe and Rob Roy fields about 100 miles north-east of Aberdeen, yesterday announced the award of a contract for converting the upper part of the floating production unit to be used for the project.

The contract, worth about £20m, has gone to Charlton Leslie Offshore, which will carry out the work at the McNulty Marine facility at South Shields on the Tyne.

The hull is being modified by Highlands Fabricators in the Cromarty Firth and the vessel is due for delivery early in 1989. About 500 men will be employed converting the upper part of the hull.

The refurbished vessel will process oil from the Rob Roy and Tartan fields

The group developing the two fields consists of Amerada Hess (38.3 per cent), Deminex UK Oil and Gas (43.3 per cent), Kerr-McGee Oil (UK) (10.83 per cent), Pict Petroleum (3.75 per cent) and Whitehall Petroleum (3.75 per cent).

APPOINTMENTS

Steetley in reorganisation

Three operational divisions - UK Brick, UK Roofing and USA have been set up by STEETLEY BRICK & TILE. Mr Mike Harris, sales director, becomes sales and marketing director. Mr Ron Crichton, finance director, becomes a member of the new USA management board. Mr Philip Margrave, who retains control of computing as commercial director, becomes divisional managing director of UK Roofing. Production and technical director Mr Denzil Spencer, will now head UK Brick as divisional managing director. Mr Arthur Barnard, marketing director, becomes senior vice president of the USA division.

*

Mr David Ames has been appointed production director of HALLS HOMES AND GARDENS.

*

Mr Anthony Hawes has been appointed a director of BARING BROTHERS & CO. He was an assistant director in the bank's treasury and trading division. Mr Clive Norris has been managing director of Baring Wilson & Watford, the group's marketmaker in government securities.

*

NEILL TOOLS, principal operating subsidiary of James Neill Holdings, has appointed Mr William Fletcher as commercial director, Mr John Moffat as engineering director, and Mr Graham Thompson as production director.

*

Mr Geoffrey Hall has been appointed a senior portfolio manager at MIDLAND MONTAGU ASSET MANAGEMENT. He was with County NatWest Investment Management, where he was responsible for UK invested unit trusts.

*

Mr Richard J.C. Butler has been appointed a director of ARBUTHNOT LATHAM BANK.

*

Mr Derek Box has been appointed managing director of ST.REGIS PACKAGING, a subsidiary of David S. Smith (Holdings). He was managing director of Bonar Cooke.

*

MGM ASSURANCE has appointed Mr Malcolm Powell as head of pensions development. He joins from Zurich Life Assurance Co., where he was pensions manager.

*

Mr Simon Kitching has been appointed a main board director of DE MORGAN AND CO. Mr Andrew Makins has been appointed an associate director.

*

Mr John Curran has been appointed general manager of NATIONAL ADVANCED SYSTEMS EUROPE. He was director of sales.

*

Mr Robin Pegna has been appointed managing director of ADDIS. He was deputy managing director.

*

Mr Tony Fitzpatrick has been appointed managing director of the international division of ROGERS & COWAN INC. He joins from Granard Communications.

*

Dr Christopher Dullage has been appointed managing director of FORD AND WESTON (DERBY), a member of Raine Industries, in succession to Mr Terry Blount. Dr Dullage was a director of three Shand group subsidiaries.

*

CCF GROUP has appointed Mr Michael Enright as international director. He will continue as financial director.

*

Miss T.E. Bamford and Mr J.G.C. Killeen have been appointed assistant directors of J. HENRY SCHRODER WAGG & CO.

*

Mr Ian Wrigglesworth, former MP and Alliance spokesman on trade and industry, has joined the board of CIT RESEARCH. Promoted to the board are Ms Jill Maslen, director of research, and Ms Susan Cadwallader, director of services.

*

Mr Lionel Bugler has been appointed chairman of INSKILL, part of the Hunting Group. He was chairman of Drake & Scull.

*

STAVELEY INDUSTRIES has appointed as executive directors Mr R.S. Bradley (new technology); Mr E.J. Low (marketing); and Mr A.R. Styles (manufacturing engineering).

ECONOMIC DIARY

TODAY: Mr George Bush, US Vice President, is expected to announce his presidential candidacy.

MONDAY: European Parliament in session in Strasbourg (until October 16). Producer price index numbers (September - provisional). Quarterly analysis of bank advances (September).

TUESDAY: Mr Eric Honecker, East German leader, starts state visit to Brussels (until October 15). Commonwealth leaders meet in Vancouver (until October 17). Mr Peter Brooke, Paymaster General, launches Britannia gold coin at Queen Elizabeth II Conference Centre, London.

WEDNESDAY: Index of output of the production industries(August). Index of production and construction for Wales (second quarter). Financial Times holds conference "International securities business and the Financial Services Act" at the Hotel Inter-Continental, London. CBI conference on City-Industry relations at Centre Point, London. National Economic Development Council meeting. Development Commission for Rural England annual report.

THURSDAY: Cyclical indicators for the UK economy (September). Labour market statistics: unemployment and unfilled vacancies (August - provisional); average earnings indices (July - provisional), employment, hours, productivity and unit wage costs; industrial disputes. Institutional investment (second quarter). Financial Times holds two-day conference "Retail financial services - from now to 2000" at the Hotel Inter-Continental, London. Opec quota committee meets in Algiers.

FRIDAY: Public sector borrowing requirement (September). Usable steel production (September).

Ford pay claim responds to flexibility drive

BY CHARLES LEADBEATER, LABOUR STAFF

UNIONS representing 32,700 Ford manual workers yesterday presented a wide-ranging pay claim which amounts to one of the most comprehensive and imaginative responses yet to the drive by employers for greater worker flexibility.

The claim draws on elements of agreements the vehicle manufacturer has signed within the past year with unions in West Germany covering reductions in working hours, and in the US on employment security.

The two-year agreement Ford signed with the UK unions in 1985 expires next month. The unions want an increase in basic grade rates of 10 per cent as well as a doubling of productivity bonuses and special allowances paid to production line workers.

In anticipation of the company pressing for greater labour flexibility, the unions have set four strategic goals they want to achieve in the light of the productivity gains greater flexibility would yield:

- In a novel departure the unions have called for a workers share trust to be established to fund an extensive training programme, which together with measures to promote redeployment would provide security of employment for a period of two years. Both the proposed training fund and the employment security agreement are drawn from deals Ford has recently agreed in the US.
- Harmonisation of the terms and conditions of blue collar and white collar workers, which would bring production operatives better sick pay, lay-off pay, and other benefits currently confined to white collar staff.
- Improvements in pension provision to provide workers with greater security in retirement.
- The unions will press the company for the same arrangements on working time as those agreed in West Germany where Ford workers work 10 days a year less than their British counterparts. They want a reduction in working time to provide a 37-hour week with immediate improvements in holiday entitlements.

Dundee deal stirs up recognition rancour

Philip Bassett explains why an AEU single-union agreement in Scotland has caused turmoil among unions

FORD MOTOR'S announcement yesterday of a single-union agreement with the AEU engineering union for its new £40m plant in Scotland threw Ford of Britain's other unions into angry turmoil.

It also raised questions both about union recognition within Ford of Britain and more generally for British unions now struggling to come to terms with the controversial issue of single-union deals.

In recent years tacit agreement between now sharply competitive unions in the private sector that the others will not try to recruit in a plant once one union has secured a single-union deal - such as the AEU's own agreement with the Nissan car company in Washington - has just about held up.

However, a decision by Ford US to recognise only the AEU at Dundee may mean the gloves are now off. Within hours of yesterday's deal being announced the white-collar unions ASTMS and Tass - no political friends of the AEU - declared their intention to recruit in the new plant.

Ford and the AEU argue that Dundee will be a US plant, nothing to do with Ford of Britain, and that a sole recognition agreement therefore is possible. Leaders of unions other than the AEU are dismissively sceptical: if Ford of Britain had nothing to do with the operation, they argued yesterday, how did Ford US even know who to get in touch with when it found the AEU?

Ford in the UK has long been organised by the unions along traditional lines: multi-unionism, with the TGWU transport workers the largest manual union (the AEU in second place), and the merging Tass-ASTMS as the main union covering white-collar staff.

Even when Ford reorganised bargaining arrangements at its Iveco Ford joint venture truck plant in Berkshire last year, derecognising some unions in the process, it still maintained multi-unionism.

However, authoritative industrial relations bodies such as Acas now believe that any employer starting up on a green field site who wishes to be unionised will in the vast majority of cases recognise only one.

Although the AEU will deny it, other unions in Ford of Britain believe that the engineers' Dundee deal now threatens recognition and bargaining arrangements in the British Ford operation in three ways.

Firstly, even though the Dundee plant is a separate entity from Ford of Britain, they feel it may set a precedent for the British company - and one which could see them displaced, though senior Ford managers believe that real simplifications of recognition arrangements could only take place on green field sites.

Secondly, that it gives the more moderate AEU a particular foothold not just in Ford, but in the electronics industry to which it has long had ambitions but in which it has little penetration.

Finally, that the example of unionisation levels in Nissan - as low as 17 per cent on some readings - may mean that the vast majority of employees at Ford Dundee could be non-union: the first serious non-union enclave in a Ford operation in the UK.

Such fears have already clouded traditional Ford industrial relations. When the manual unions, led by the TGWU, presented their annual pay claim yesterday there were bitter exchanges over the AEU deal between Mr Mick Murphy, TGWU national secretary, and Ford of Britain's negotiators.

Beyond Ford the AEU's deal also has wider implications. The TUC is now embarking upon a review of trade unionism in the UK which will centre at least initially on the increasing problem for unions of single-union agreements.

Prospects of a worthwhile, workable formula to deal with them do not look especially bright, and the AEU's Dundee deal classically poses the problem for competing unions.

With the chance of extra membership, in a solid, well-respected company making a new inward investment, in a new field for the union, and in an area of high (14 per cent) unemployment, the temptation for the AEU would be too great: Ford US made it an offer it could not refuse.

What the TUC's review cannot in the main deal with, and what the AEU's deal so graphically illustrates, is employer push. The fact that over single-union agreements, and indeed over many if not most other aspects of present industrial relations, even in a tightening labour market, control currently rests principally with the employers.

Ford UK's unions other than the AEU may protest against the Dundee deal - but on that, as, with so many other aspects of unionised-employee relations at the moment, the anguish may be largely internal, for the unions themselves, rather than operational, for the practice of the employer and employees involved.

British Coal plans change in tunnel roof technology

BY OUR LABOUR STAFF

BRITISH COAL yesterday signalled its determination to press ahead with changes to miners' working practices to accompany a revolutionary change in British mining technology. It announced that it wants to introduce much more widely roof bolts to support tunnels instead of traditional steel supports.

Both the National Union of Mineworkers and Nacods, the pit deputies union, fear the introduction of roof bolting will lead to higher accident rates and job losses.

British Coal said yesterday that roof bolting, which is widely used in American mines, could enhance safety underground as well as cutting costs dramatically. Roof boolts cost about £50 to install compared with £100 for steel supports.

In the year to March the corporation spent £127m on steel for underground roadways, £30m on transporting the steel, and £100m on manpower to install the steel.

North Yorkshire pits have gone furthest in introudcing roof bolting, according to Coal News, the montly newspaper produced for miners. Allerton Bywater colliery is about to become the first British colliery to support a roof entirely with bolts.

Marine colliery in South Wales is about to introduce a machine, the first of its type used in Britain, which will replace hand-held drills and lead to rapid productivity improvements in roof bolting.

Not only does roof bolting require fewer men to effectively support a tunnel, but it also allows tunnels to be developed more quickly.

PM presses on to further goals

TRIUMPHANT WAVES of enthusiasm swept over the Conservative conference at Blackpool yesterday as Mrs Margaret Thatcher, the Prime Minister, insisted that the party's third successive election victory must be a springboard for new endeavours to bring opportunity and choice to those so far denied them.

Her refusal to countenance any pause for consolidation of the earlier achievements which, she claimed, had brought an end to the period in which Britain had been cast down by gloom, pessimism and sheer defeatism, won a resounding roar of endorsement from her delighted supporters.

Dismissing any thought of pitching tents and digging in, Mrs Thatcher declared: "Our third election victory was only a staging post on a much longer journey."

She stressed: "I know with every fibre of my being that it would be fatal for us just to stand where we are now."

The Prime Minister looked to the education reforms the Government is poised to introduce to provide a better future for youngsters in run-down inner cities, and to the maintenance of an effective independent nuclear deterrent to ensure that Britain retains an influential role on the world stage.

Underlining the importance of introducing Trident submarines to modernise the deterrent, Mrs Thatcher contended that peace was only maintained by resisting violence and intimidation at home and standing up to tyrants and terrorists abroad.

She said: "That is the true spirit of the British people. It sustained them through two world wars. It guides us still."

The Prime Minister contrasted Labour's decision to review its policies and the disarray among the former Liberal and Social Democratic partners in the Alliance with their early refusal to accept that they had any lessons to learn from the successes achieved by the Government's policies.

Right up to the day of the last general election the Labour Party, the Liberals and the SDP had been busy saying that Conservatism did not work. Since the result was known they had been saying that Conservatism did work - "and so our political opponents are now feverishly packaging their policies to look like ours."

She highlighted the successes in expanding home and share ownership and commented: "It is interesting that no party now dares to say openly that it will take away from the people what we have given back to the people."

Mrs Thatcher warned that, though Labour's language might alter and the presentation of its policies become slicker it would still be the same old socialism.

Amid laughter and applause she said: "Far be it from me to deride the sinner that repenteth. The trouble with Labour is they want the benefit of repentance without renouncing the original sin - no way."

Hitting out at what she described as the so-called Alliance, she wondered what Dr David Owen, the former SDP leader, and Mr David Steel had meant by consensus politics.

She scoffed: "I have a feeling, if Dr Owen did not know it before, he knows now - six inches of fraternal steel between the shoulder blades."

Mrs Thatcher attributed the success attained by government policies to the re-establishment at the heart of British politics of a handful of simple truths.

The first of these was that no economy could thrive if government debased the coinage. No society could be fair or stable when inflation ate up savings and devalued the pound in everyone's pocket.

Reaffirming that the defeat of inflation remained at the top of the Government's agenda, Mrs Thatcher said it was a battle which never ended.

While accepting that the economic recovery was proceeding at a faster pace in some parts of the country than others, Mrs Thatcher asserted that it was now "taking root" in the most depressed urban landscapes.

She argued that the overall effect of the changes in education, the finance of local government and the contraction of municipal landlordism would be to introduce the 'irreversible shift of power' which has been Labour's aim when it last won a general election in October 1974.

Paying tribute to the Chancellor of the Exchequer, she said: "It means keeping your budget on a sound financial footing. Not just one year, but every year and that is why we need Nigel Lawson."

Echoing the Chancellor's words earlier in the week, she said that income tax would be cut again as soon as this could "prudently" be done.

Mrs Thatcher with her husband, Denis, at the close of the conference yesterday

Reports by PETER RIDDELL, IVOR OWEN, LISA WOOD and JOHN GAPPER
Picture by ALAN HARPER

The Maggie image takes centre stage

THE STALLS outside the Blackpool conference hall have borne witness all week to the remarkable growth of the Thatcher cult. On display has been an iconography of "I love Maggie" teddy bears, T-shirts, drinking glasses, mugs and commemorative medallions all stamped with her well-known profile.

Yesterday the lady herself gave her annual inspirational address to the party faithful. Yet the image was still considered to be as important as her words. On the orders of Harvey Thomas, her head of presentation and promotion, the press benches in front of the platform were cleared of humble scribblers in order to make way for the photographers.

The great build-up to the appearance of the leader of the platform is now as formalised as the rituals at the court of Louis XIV. The party functionary calling for donations referred to the "inspired leadership" of the Prime Minister who had led the country out of the "socialist wilderness."

The atmosphere was heightened by the triumphal organ strain of the party's general election theme. But as Mrs Thatcher appeared on the platform this incongruously gave way to the tune of "I do like to be beside the seaside" - presumably as a gesture towards the populist nature of her regime.

Party president George Younger introduced her as "undoubtedly the outstanding leader of the Western world."

Of course, when you are in such an unassailable position you can afford some apparent modesty. A lot had happened since last year's conference, she reminisced. There was, for instance, the Tory general election victory in June.

"They tell me it makes three in a row," she said demurely. "Just like Lord Liverpool, and he was Prime Minister for 15 years. It's rather encouraging."

There was also the characteristic headmistress touch. Was this where the party *pitched its tents and dug in?*

"Absolutely not. Our third election victory was only a staging post for a much longer journey." The message to her pupils seemd to be: "Have done remarkably well but can do even better."

Naturally all of this received the usual rapturous reception from her audience and the Prime Minister disappeared from the hall to chanting and clapping and the strains of Land of Hope and Glory.

Judging by this performance it is going to be many years before the furniture removers arrive at No 10 and she decides that the time has come to retire to the peace and quiet of her home in Dulwich.

Earlier Norman Tebbit unfurled his banner and took up the crusading theme when he made it clear that it was going to be a very long march.

"That is our crusade - and it must go on and on and on," he cried.

JOHN HUNT

Labour strongholds targeted

PLANS FOR the restructuring of the Conservative Party to strengthen its organisation in traditional Labour strongholds were outlined to the party conference by Mr Norman Tebbit, the Conservative Party chairman.

Mr Tebbit won a prolonged standing ovation at the end of what was almost certainly his last speech as party chairman. He was joined on the platform by his wife, Margaret, who was badly injured in the bombing at the 1984 Brighton party conference.

He said that the Conservatives should now plan ways of attacking the "last bastions of the Labour Party" in Scotland and the North by building up active organisations to work for local people in each constituency.

Some areas were taken for granted by Labour in the way that it used to count on manual workers, council house tenants and trades unionists. "I want to take them by surprise again, moving deeper into their traditional ground," he said.

Mr Tebbit believed the party should encourage local associations to form joint organisations *with others falling within "natural political boundaries,"* although there was a lack of belief in the idea or resources to carry it out in some areas.

Mr Tebbit announced that he planned to set up a mobile campaign team equipped with "transport, portable computers and printers" which would operate in various constituencies alongside local party workers.

He intended to finance the project by a direct mail appeal to 500,000 individuals next week. It was disclosed later that this total would include those on the party's existing mailing list and a number of British Gas shareholders.

Mr Tebbit said that direct mail was one of the "proper and sensible" means which the party could use to raise money and gain support. Some 25,000 people contacted in this way in the past year had responded by inquiring about party membership.

He said the party had to improve its ability to direct its *spending to modern priorities* rather than following existing patterns out of habit. A review of accounting and financial procedures was being carried out to ensure this.

Mr Tebbit said that the party's opponents were "broken, divided and confused" and the Labour Party was now "half intent on half-heartedly adopting half of our policies."

The party's general election campaign had been tailored to the voters rather than the media. "Mr Kinnock's friends say Labour had the best campaign. I doubt it, but well, so what - we had the best result."

The conference passed a motion calling on the party to embark on a "national crusade" to increase support after a debate which did not feature any criticism of the general election campaign.

Divisions over Sunday trading

THE DIFFICULTIES the Government faces in re-introducing legislation to liberalise Sunday *trading hours were amply dem*onstrated yesterday when broad divisions appeared during a debate on the issue.

A motion asking the Government to "clarify" the existing law on Sunday trading had been selected for debate after a ballot of conference representatives. Conference ultimately supported the motion and some form of liberalisation. In 1986 a Shops Bill, which would have totally deregulated trading hours on Sunday was defeated by 10 votes with many Conservatives among those hostile to change.

Mr Timothy Renton, Minister of State at the Home Office, said after the debate that the Gov*ernment understood the feeling* among Conservatives. "This is a thicket and we have to find our way through it. Our problem is to produce a new bill that will get through parliament."

He said that if the same bill was re-presented in parliament it would probably lose again. He said it would be difficult to change the minds of MPs unless a new twist was introduced into the bill. He gave no timetable for a new bill but said it would not be in this session of parliament.

Mr Renton told conference that the present law on Sunday trading was a mass of irrecon*cilable contradictions. He said* there were three alternatives that could be considered.

The first was a return to the total deregulation of shop trading hours as envisaged by the former bill. A possible compromise, which he said brought its own difficulties, was the deregulation of only part of Sunday, or there could be total deregulation by the Government leaving it to local authorities to decide whether full or partial opening should be allowed on Sunday.

Thatcher and her team settle in the driving seat

Peter Riddell sums up a week in which Tories displayed few doubts about their party

"IT IS glad confident morning again," one senior minister joked yesterday, turning round Browning's famous poem, "The Lost Leader."

The atmosphere of celebration - frequently even of smugness - finally went over the top yesterday in the long and rapturous ovation given to Mr Norman Tebbit, the retiring party chairman and for the leader herself, though she tried to inject some humility by quoting Kipling's poem, "Recessional."

The natural euphoria of the representatives has offset an occasional flatness of content. The conference slogan, "Action for the Third Term", has been belied by some platform speeches whose ideas were already in the election manifesto and the Queen's Speech.

Yet the presentation has undoubtedly been sharper, reflecting the careful co-ordination between Central Office, ministers' special advisers and Saatchi & Saatchi - extending even into the rehearsal of autocue techniques behind the platform.

Another sign of skilful stage management has been the prominence given to former MPs who lost in June like Mr Gerry Malone, Mr Steve Norris, Mr Mark Robinson and Mr Richard Ottaway - all of whom the leadership would like to see back in the Commons as well as Mr John Horam, the defector from the Social Democrats.

But the enthusiasm and unity have been genuine, not created. The hints of dissent from the fringe from Mr Michael Heseltine have made little impact. It has been the leadership's, and Mrs Thatcher's, conference.

"We've got a one-party state and it isn't going to change quickly" one minister commented. He was speaking ironically but many others take this seriously. Mr Tebbit said yesterday that the opposition parties were "divided, broken and confused" so he concluded the Tories may be in power for another decade or so and the crusade goes "on and on and on."

Looking over the six weeks of the party conference season since the SDP's civil war in Portsmouth on the bank holiday weekend, the Tories appear as dominant as they were on June 11. The opinion poll rating of the Tories has risen since then and, for the first time in many years, the Tories are winning local council by-elections.

Meanwhile the Liberals and SDP have a long, long way to go to appear credible challengers again. A merger will no doubt go through this winter, but Dr David Owen and his followers will remain outside, attracting media attention and thus emphasising divisions.

Labour's recovery is also not straightforward. Mr Neil Kinnock may have won time for a far-reaching policy review but he has done this by calling in the aid of the trade union block vote.

He has still to win the support of many constituency activists. A party that elects Mr Ken Livingstone to its national executive and gives a high vote to Ms. Diane Abbott is a long way from being able to appeal to the middle ground.

Yet, what this shows is that the post-election honeymoon for the Government, and the reassessment for the Opposition, may continue for some time, not that they will last forever.

However in Blackpool this week, for all the warnings about complacency, hardly a hint of doubt has crept into the proceedings. The mood has been: the June manifesto was right and it must be implemented now.

That was reflected most notably in the rates reform debate on Tuesday when the demand *was for implementation in one* go rather than the proposed phasing over four years. There was scarcely any suggestion of the uncertainty of many Tory councillors and MPs, let alone other interested parties, though local activists admittedly at one fringe meeting did raise questions about the school opting out plan.

Reality and questions will soon appear. The Government will have a harder task this winter in parliament and Lord Whitelaw has already warned of possible revolts in the Lords next year. The current economic boom may not be sustained forever. There could also be a bear market in shares some time which could disillusion the millions of first-time shareholders in privatised companies.

Similarly, the opposition parties could pull themselves together so as to be able to benefit from any economic downturn and from government mistakes. Labour's policy review could make it more attractive to skilled and semi-skilled workers and a relaunched Liberal/majority SDP party could still be an alternative to the Tories in the south.

But for the moment the Conservatives are very much in the driving seat and determined not to slow up. Mrs Thatcher looks like remaining the driver for quite some time to come.

Tebbit puts his view on possible successor

THE DIFFERENCES within the Cabinet over the chairmanship of the Conservative Party surfaced publicly yesterday when Mr Norman Tebbit, the soon-to-retire chairman, and other senior ministers argued that the post should not be held by a departmental minister.

This remark was directed at the proposal that Lord Young should become chairman while remaining Trade and Industry Secretary. Mrs Thatcher is expected to take the decision by *the end of the month.*

Interviewed on BBC television, Mr Tebbit stressed the difficulty of combining the chairmanship with a departmental post. He suggested that, while the chairman should be in the Cabinet, as both he and Mr Cecil Parkinson had been, he ought to be a non-departmental minister.

"I think that in recent years the role (of chairman) has become more important and it combines well with that of a non-departmental minister." Asked specifically about Lord Young, Mr Tebbit repeated his view that the ideal chairman would be in the Cabinet with a non-departmental job.

He argued that he had been able to act as a shield between members of the Government and people who were contributing to the party, and was therefore able to answer allegations that donors to the party were buying something.

Lord Young himself indicated in an earlier interview that he would be willing to serve if asked - as "a good soldier" - but he sought to dampen speculation by saying that he did not think the issue would arise.

Lord Whitelaw, the Leader of the Lords, on Channel 4 news last night backed Lord Young for the chairmanship and said his only doubt was whether he could do the two jobs.

One possibility is that Mr Kenneth Clarke, Lord Young's current deputy in the DTI, would take over as Trade and Industry Secretary, with Lord Young taking a non-portfolio post.

Malcolm Rutherford on the parallel paths followed by two leading Tories

Behind Cecil's charm may lurk another Norman

MR CECIL PARKINSON is back. Mr Norman Tebbit is on his way out of his own accord. That was one of the sub-plots of the Tory Party conference.

As Mr Parkinson told the conference, he was invited to become chairman of the constituency party in Hemel Hempstead a quarter of a century ago. He was the only member, so he enlisted the support of a friend who was an airline pilot and active trade unionist. That was Mr Tebbit. Their careers have been remarkably similar ever since.

Both entered parliament in 1970, Mr Parkinson through a by-election, Mr Tebbit through the general election. Both have been Trade and Industry Secretary and both party chairman. Mr Tebbit still is, but is ready to go.

Mr Parkinson says that the main difference between them is that Mr Tebbit really cannot stand socialists. Mr Parkinson admits to little liking for them either, but claims to be more tolerant. Otherwise they are two of a kind.

Sometimes they dislike Conservatives as well. Mr Tebbit never had much time for a forgotten breed called "wets". Mr Parkinson was never more disdainful of his party than when a large number of Tory MPs, including ministers, were attacking the BTR bid for Pilkington.

He thought that Sir Owen Green had every right to stir the company up and that Conservatives were retreating into sentimentalism by opposing him.

Apart from the party chairmanship, *it is in competition* policy that Mr Parkinson has made his main contribution to politics, and may do again.

The Sara Keays affair kept him out of ministerial office for four years. When he came back after the general election in June, it was only to the relatively junior Cabinet post of Energy Secretary - not one of the glittering prizes that the Conservative Party would gladly grant him, judging by the ecstatic reception he was awarded this week. But he does have to privatise the electricity industry and he might have to privatise coal.

Quite plainly he would prefer to be back at Trade and Industry, which is where so many ambitious Conservatives want to be. Not the least of the fascinations of the conference was listening to the speculation about whether Lord Young, the present incumbent, can be allowed to become party chairman as well. The guess must be "no".

It is equally unlikely that Lord Young will give up Trade and Industry so soon. Thus the assumption must be that Mr Parkinson stays where he is. The interesting question is whether he can develop a competition policy on which he has been working intermittently almost since Mrs Thatcher became party leader.

He chaired the committee on the subject when the Tories were still in opposition. He was Minister for Trade for two years after they won the 1979 election. Briefly, as Trade and Industry Secretary in 1983, he was party to the arrangements which led to the introduction of the Big Bang restructuring of the financial services sector in the City, although he says that the prime movers were Lord Richardson, then the governor of the Bank of England, and Chancellor Nigel Lawson.

But the fact is that the Tories have never really got competition policy right. The party is unhappy about the way that British Telecom was sold off as a near monopoly, as this week's conference showed. Lord Young sought to defend it by saying that at least customers now had the right to complain to the private company in the expectation that something would be done about their grievances.

Other ministers thought that was pretty thin and there is a general feeling that in future big privatisations will have to have an element of competition injected from the start. That will be one of Mr Parkinson's tasks with the electricity supplyindustry.

There is another area where the Government is repeatedly embarrassed by not seeming to know what its competition policy is. It concerns takeover bids and it is on this subject that Mr Parkinson did much of his earlier work. He thinks that the present approach is excessively random and lacks consistency.

Of course, he ackowledges, there must be a political element in some cases. But the political decisions must be taken by the Government. The Office of Fair Trading and the Monopolies and Mergers Commission must rule entirely on commercial and economic grounds.

Too often, he says, there is second guessing of what the Secretary of State at the time might think. Thus if the minister is thought to be against conglomerates, a takeover bid by a conglomerate for a company in a field it has not previously entered might be turned down even though it would make sound commercial sense.

Mr Parkinson can be very critical of some past takeover decisions. He saw no reason, for instance, for the hostility to the Hong King and Shanghai bid for the Royal Bank of Scotland. He thought that the opposition to *the BTR bid for Pilkington* was wholly irrational. He does not think it absurd or in any way reprehensible that a non-bank should bid for the Midland.

Besides, fashions in these matters tend to change, often for no very good reason. What was thought an impermissible merger one year, sometimes looks with hindsight as if it would have made good sense and vice-versa. It would be simpler if the guidelines were laid down more clearly and the OFT and MMC avoided any kind of political judgment.

How far Mr Parkinson will develop his thinking now that he is back in office is a moot point. He has never really been tested with ministerial power long enough for anyone to know. Yet behind all the charm there is another Norman Tebbit, belonging to the hard rather tha the paternalist wing of the Tory Party.

Mr Tebbit, to be fair, could be very charming as well. The conference loved them both.

FINANCIAL TIMES

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Words are not enough

A BURNT child fears the fire. So it is with investors in bonds and other interest-bearing securities after the experience of the 1960s and 1970s. Soothing statements are unlikely to be enough. Policy-makers have to provide more credible action than that.

It is in the context of the concern about long-term inflation shown by markets throughout the 1980s that the present apparently exaggerated reaction in bond prices has to be understood. But do markets really have anything to be worried about? One obvious concern is commodity prices. In dollar terms, prices of commodities (excluding oil) are now 21 per cent over the 1986 average level, but in SDRs the rise is only 10 per cent.

The index of metal prices, which are key industrial raw materials, is now 40 per cent above the level of the beginning of the year expressed in SDRs. Nevertheless, both in dollars and SDRs, prices of commodities in general (excluding oil) and of metals are well below those of 1980.

What is happening is an inevitable recovery of commodity prices and one that is surely desirable. It is inevitable, barring another deep recession, because the long period of low prices has affected potential supply. It is desirable because, deflated by the unit value of exports of manufactures from developed countries, the price of non-oil commodities is still some 25 per cent below the level of 1980 and, even now, is only marginally above the lowest point of 1986.

Commodity prices

That the development is inevitable and desirable does not mean that there is no reason to fear its inflationary impact. The improvement in inflation in the developed countries since the second oil shock was in substantial measure the consequence of the fall in commodity prices The pain of disinflation was shifted to commodity exporters. A reversal of the decline creates a risk of rising inflation.

The movements in commodity prices are themselves partly related to the reason why there is legitimate concern in the financial markets about prospects for inflation, namely, the link between current account imbalances, exchange rates and monetary policy. From 1985 private investors have been fleeing from the dollar into other assets, as evidenced first by its depreciation and then by the need for central bank intervention of some $90bn to hold the dollar after the Louvre accord of February 1987.

Since 1981 the US has been pursuing a strongly Keynesian fiscal policy, at first purely unilaterally, but since 1985 with an international objective. While Mr Paul Volcker was at the Federal Reserve, fears about the long-term inflationary risks associated with US debt accumulation were tempered. But that concern cannot be stilled forever, for it will never be forgotten that a government with large and growing debts in its own currency may prefer inflation to continuing service at the initially anticipated real rates of interest.

The key element of the US shift to international Keynesianism was the attempt, understandable and in part justified, to persuade the creditor countries to expand as the US contracted aggregate domestic demand. It was only with the Louvre accord, however, thta this objective became effective, since fiscal adjustament had been (and still largely is) blocked in the major countries.

Deficit exported

With the international commitment to currency stability, however, combined with the continuing US commitment to domestic economic growth, the finance of the external deficit fell on foreign central banks, above all the Bank of Japan. In effect, the long term inflationary effect of the US budget deficit was being exported.

It is as this has become more obvious in the monetary statistics of Japan and, to a lesser extent, of Germany that the markets have become more nervous. Not least, dollar stability looks increasingly uncertain in such an environment. Announcements in Washington a week ago of grandiose long-term plans for a target zone system, combined with the half per cent increase in the US discount rate in early September, have not been enough to still their fears.

In present circumstances, the monetary authorities have a few choices, all unpleasant. They can continue to advise nervous markets that they have nothing to worry about, which may prove unconvincing. They can accept the need to raise short-term interest rates modestly as a confidence-boosting measure, though a small change in such rates could actually reduce confidence. For that reason they can decide to be bolder still and act pre-emptively.

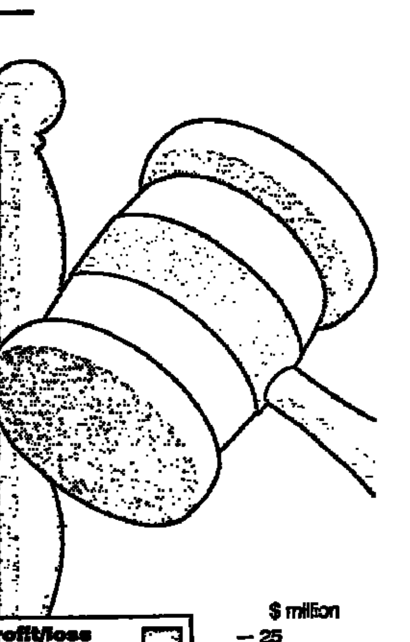
The markets can see that the present pattern of fiscal and current account balances is capable of re-igniting the inflationary fire. To the extent that the underlying causes of those imbalances can only be addressed slowly, if at all, it will be necessary for the monetary authorities to show a clear willingness to act more decisively if required. At present the need for decisive action clearly falls on the weak currency country, the US. As Mr Lawson showed by raising UK interest rates in August, pre-emptive fire-fighting works.

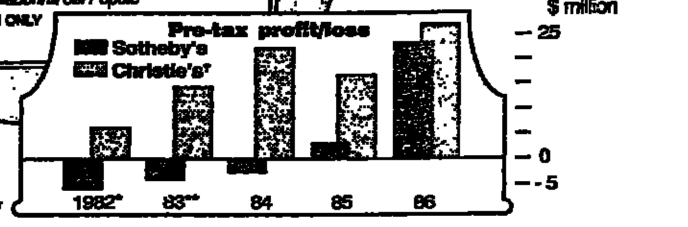
THE SALEROOM BUSINESS

TOP TEN SALES

Sotheby's Price	Artist / Title	Sale	Christie's* Price	Artist / Title	Sale
$11.80m	Helmann, *Gospels of Henry the Lion*	London 1983	$41.33m	Van Gogh, *Sunflowers*	London 1987
$10.38m	Rembrandt, *Portrait of a Girl Wearing a Gold-Trimmed Cloak*	London 1986	$20.37m	Van Gogh, *Le Pont de Trinquetaille*	London 1987
$9.90m	Van Gogh, *Landscape with Rising Sun*	New York 1985	$11.09m	Manet, *La Rue Mosnier aux Paveurs*	London 1986
$9.88m	Turner, *Seascape: Folkestone*	London 1984	$4.41m	Modigliani, *Fillette au Tablier noir*	London 1987
$8.50m	Braque, *Woman Reading*	London 1986	$3.75m	Constable, *Flatford Lock and Mill*	London 1986
$7.04m	Turner, *Juliet and Her Nurse*	New York 1980	$3.67m	Derain, *Collioure: Le Port de Peche*	London 1987
$6.65m	Unknown, *Pair of Diamond Earpendants*	Geneva 1980	$3.63m	Giacometti, *Grande Femme debout II*	New York 1987
$5.83m	Picasso, *Yo Picasso*	New York 1981	$3.08m	Giacometti, *Grande Femme debout I*	New York 1987
$5.50m	Redoute, *Les Liliacees*	New York 1985	$2.86m	Houdon, *Painted plaster bust of Thomas Jefferson*	New York 1987
$5.32m	Klimt, *Schloss Kammer am Attersee II*	London 1987	$2.83m	Barocci, *Drawing: Madonna del Popolo*	London 1987

* 1986/7 SEASON ONLY





* 12 months to Aug 31
** 15 months to Dec 31
† Christie's figures converted from Sterling as at Aug 31 of each year

CHRIS WALKER

Success may yet have its price

By Antony Thorncroft

THIS WEEK Sotheby's, the world's leading fine art auctioneers, announced that it was offering its shares to the public. But it will hardly be a massive clearance sale. Mr Alfred Taubman, the White Knight, who rescued Sotheby's from an unwelcome takeover bid in 1983, is keeping control of 71 per cent of the equity, and the new shareholders will have less than 4 per cent of the voting rights between them. But at least Sotheby's will return to the public domain—and in much better shape than when it fell into the lap of Mr Taubman, an American property developer.

At that stage, Sotheby's was making a loss. An ambitious expansion programme, particularly in the US, had unfortunately coincided with a dip in demand for works of art. Today Mr Taubman can boast profits in the first six months of 1987 of £30.3m, and with no sign of any imminent end to such good results. Some of the improvement is due to the new chairman's skill at trimming costs—there has been a marked shake-out of staff in the New York office—but most of it stems from a remarkable upturn in the art market over the past four years which has doubled Sotheby's turnover, to £837m, in the saleroom season which ended in July.

The new rich may not be known as great art collectors, but enough of the fortunes made on the stock exchanges and from increased corporate profits have gone into buying pictures (especially Impressionist), furniture and other works of art, to give the auction houses an unprecedented period of expansion. Mr Taubman, and a few of his fellow shareholders, have chosen this moment to cash in on their investment. He paid £83m for Sotheby's. He will get much more than that back from his share offer and still retain total control.

The advent of Mr Taubman and the spiralling prices paid for works of art at auction, have transformed the more important sales from what were traditionally cosy gatherings mainly formed of dealers, leavened with a few collector connoisseurs, into major media events. In New York in particular any important Impressionist sale has become a glamorous social occasion, with many private buyers risking bids. Auctions like the dispersal of the Duchess of Windsor's jewels in Geneva and the sale of Van Gogh's "Sunflowers" attracted tremendous news coverage. The profile of the auction houses has never been higher—nor their activities more febrile.

One of the first actions of the new American management of Sotheby's was to talk up the investment potential of works of art. For the 1985 auction in New York of Florence Gould's collection of Impressionist paintings, Sotheby's invested over £1m in a marketing campaign which involved taking the major paintings around the world to show potential buyers, and entertaining 200 millionaires who had never bought art but who might be persuaded of its attractions.

At the same time Sotheby's publicised its financial facilities. Buyers of expensive pictures would have time to pay—and vendors of major collections need not necessarily be charged the full seller's commission of 10 per cent. Works of art were accepted as security for loans and to show his faith Mr Taubman himself paid $5.28m for a painting by Toulouse-Lautrec at the Gould auction.

The selling of art as an investment has become popular in Japan, which has been the powerhouse behind the record prices paid for Impressionist paintings in the past two years. A strong yen produced, in March, a successful bid of £24.75m ($41.33m) for the "Sunflowers" from Yasuda, a Japanese insurance company — a record for any work of art at auction. Last season the Japanese diversified into Old Masters and modern paintings, justifying the belief of the auction houses that great works of art have such a universal appeal that even if one market—the US—was lacking interest (because of the fall in the value of the dollar) the slack would be taken up elsewhere.

Now the rise in prices of art at auction, and the attendant publicity, has produced the inevitable competition to the two-century-long dominance of Sotheby's and Christie's. Last month, a new international auction house, Habsburg-Feldman, was launched in Geneva, with its first auction, of watches, tomorrow.

It claims to have around £40m-worth of goods assigned to it in its first year, compared with Sotheby's £837m. It is run by Dr Geza von Habsburg—who, as well as carrying the redundant title of Archduke of Austria, was chairman of Christie's in Europe—and David Feldman, who heads the biggest stamp auction house in the world. Habsburg-Feldman may lack the US connections of its established rivals and will specialise in jewels and silver, stamps and objets d'art rather than furniture and pictures (although it is selling a Monet this autumn).

But where Habsburg-Feldman offers a real challenge is in the way that it boldly promotes its financial services. To some extent it is a finance house using works of art as international currency. In order to attract business it will cut the seller's commission to nothing for big assignments, relying for its income on a 15 per cent buyer's premium. It will buy works of art, advance cash before an auction with the work of art as security, advise on investment and arrange private sales. It is currently looking for a buyer for a collection of Mauritian stamps, insured for £7m.

Habsburg-Feldman will have a hard task prising away from Sotheby's and Christie's the old rich, who tend to stay loyal to the family auction house (the Dukes of Devonshire have been clients of Christie's for almost 200 years), but it might appeal to the new generation of investor-collectors.

By encouraging the investment potential of art, Sotheby's now has to satisfy the expectations it has raised with a constant supply of record prices and dramatic increases in turnover. It is a prospect which is creating dismay among some directors of Sotheby's in London, which has always taken a more aesthetic approach to its task than its New York counterpart.

The new season, which started last month, will be crucial for the art market. Sotheby's increased sales by 85 per cent in 1986-87; Christie's by 50 per cent. The publicity surrounding the record price paid for Van Gogh's "Sunflowers" winkled out another work by the artist, "Le pont de Trinquetaille," for Christie's (it made £12.65m) and now Sotheby's is offering "Irises," also by Van Gogh, in New York on November 11. It will be a tense occasion.

Experts rate it as a more perfect composition than the "Sunflowers" and a price over £20m is expected. Yasuda was much criticised in Japan for being so ostentatious in buying "Sunflowers" and although the under-bidder on that occasion, believed to be Mr Alan Bond, the Australian millionaire, could be interested in bidding for "Irises," if its price is disappointing, the confidence of the entire art market could collapse.

The art market is also vulnerable to a fall in the stock markets, and already certain sectors, such as the British sporting pictures favoured by Texan oil millionaires, have suffered a recession in the wake of a lack-lustre oil price. The market for the £1m-plus paintings is still very thin, with perhaps not more than a dozen potential buyers for really important works, and if one or two of the speculative collectors have second thoughts, or are forced by financial pressures, and try to re-sell their recent purchases (a very risky thing to do), then the shock waves could be far reaching.

This is because the publicity about record prices gives a false impression about the market for works of art. Phillips, the third largest of the auction houses, with a business concentrated in the middle and lower end of the fine art market, reported an increase in turnover last season of 35 per cent, to £76.5m, and this gives a much more accurate impression of the true state of demand. Bonhams, fourth in size, registered an even smaller increase, and it is widely reported to be open to takeover offers. Two very different businesses have emerged: one for very expensive, increasingly rare, scholarly-acclaimed, works with an international appeal which are still much sought after; and the mass fine art market which is satisfactory rather than exceptional.

By expensively promoting the art market and its investment potential, Sotheby's has succeeded in taking over many customers from its traditional rivals, the dealers. More and more collectors are tempted to bid for works of art in the saleroom rather than build up a relationship with a dealer. There are still sectors—silver clocks, carpets, musical instruments—where the dealers reign supreme but relations between the auction houses and the dealers, who are still their biggest customers (and their main suppliers) have worsened in recent years. Things have never recovered from the imposition of the 10 per cent buyer's premium in 1975.

The salerooms, in their turn, have been forced to pay the price for their domination of the art market. They themselves have become the subject of acquisition rumour. Christie's in particular has suffered from takeover talk and only its success in the past season, which has lifted its market price to £350m (double that of a year ago), and made it a very expensive buy given its lack of tangible assets, has preserved its independence. However, the necessity for Sotheby's to release detailed statistical information on its activities as a consequence of its Stock Exchange quote has underlined the fact that the US-owned company is out-performing its British rival. This could hit Christie's share price and make it vulnerable once again.

Christie's is reluctant to follow Sotheby's down the financial services route, but is considering a diversification into the property business. Last month Sotheby's opened an estate agency in London. It operates a similar service in the US but has to be careful not to upset traditional agents who pass on to the auction houses a great deal of business when they are given houses complete with contents to sell. In the main, Christie's secure in its links with the British aristocracy, prefers to plough a traditional furrow.

But Mr Taubman has done well out of Sotheby's. Through his dominance of the voting shares he has made himself secure from any hostile takeover, while leaving himself free to sell out if he so wishes. Sotheby's is still a tiny part of his business empire. It has brought him great social acclaim—and a valuable property gain in the air space over Sotheby's New York Second Avenue saleroom, for which he has obtained planning permission for the construction of a towering condominium. But if the art market turns sour due to stock market recession it is quite possible that Mr Taubman will look for a purchaser.

Under his control Sotheby's has become a much more efficient and businesslike operation. The new share option scheme for senior staff should enable it to retain any auction house's most valuable asset, the expertise of its staff. But in the fickle art market world, a world that Sotheby's has made even more vulnerable by its promotion of art to buyers with a less than total interest in the intrinsic value of works of art, Mr Taubman has also ensured that if there is any hiccup in the price spiral it will be trumpeted around the world, undermining confidence. The immediate future for the salerooms looks bright: the long term has never been more obscure.

By John Elliott in McLeod Gunj

An appeal to the West from a culture in exile

TIBETAN schoolchildren in smart blue uniforms played in a muddy playground, carpet and trinket sellers reopened their bazaar stalls and the Dalai Lama, spiritual leader of Tibetan Buddhists, left for a fortnight of lectures a few valleys away in the Himalayan foothills.

By Thursday, life had returned to normal in the former British hill station of McLeod Gunj. Named after a former British colonial civil servant, the community boasts an Anglican church with the grave of the 8th Earl of Elgin, Governor General of India. At 6,000 feet above sea level, it is also the second wettest place in India and has been for 28 years the headquarters of the Tibetan Government in exile and home of the Dalai Lama, known to his followers simply as "His Holiness."

It has been an uncharacteristically high profile week for His Holiness. As 500 maroon and saffron robed monks staged religious and public events to condemn the recent violence in the Tibetan capital of Lhasa, the Dalai Lama told Tibetans to start active opposition, including civil disobedience, against the Chinese occupation of their homeland.

At a pre-press conference, the 49-year-old spiritual leader came across more as a worldly academic than the 14th reincarnation of Chenreze, the Buddah of Compassion. He seemed to enjoy the cut and thrust of the event, parrying persistent questions about Tibetan independence in halting English with remarks like "so, the question is open" or "we need more time." Nor did he seem unduly put out when television cameramen jostled towards him at the altar of the McLeod Gunj temple during prayers for the Lhasa dead.

But as the Dalai Lama returned to his spiritual duties, his followers were unsure what to do next. "If we strike hard we could win. There should be demonstrations and, yes, maybe we should break the law," said Tashhi Dolima, a 17-year-old student who led chants against the Chinese government during the hunger strike which formed part of this week's demonstrations.

Some wistfully recalled the 1960s, when the US Central Intelligence Agency helped train a resistance movement called the Khampa, but mostly the exiled Tibetans adhere to their leader's non-violent approach.

Ministers of the Government in exile hope at least that the violent events of the last week will make an impact on world opinion. "The demonstrations in Lhasa have woken up not just Tibetans but our administration," said Mr Lodi Gyari, a senior Minister who has been on delegations to both the US and China. "There is great discontent, especially among the young who feel we in the government are not moving fast enough and are not providing guidance and leadership. There has been a lack of direction from us in the Cabinet, and we have not reaped the harvest of goodwill sown by His Holiness."

The underlying reason for this renewed sense of urgency is the fear that China's current policies in Tibet—economic development, but with huge population inflows—threatens the very existence of the Tibetan culture.

"We must move fast or Tibet will become just another province of China. So many Chinese are being transferred into our country that the future of Tibet itself could very quickly become academic," said Mr Gyari.

The government in exile estimates that as many as 7.5m ethnic Chinese have been moved on to the Tibetan plateau during the past three or four years; there are only 6m Tibetans. In what China now calls Tibet, 2m Chinese live alongside 1.8m Tibetans.

Along with a large Chinese military presence — 250,000 troops, says the Tibetans, nuclear installations and a weapons factory—the population influx is considered a serious threat to the region's ecology. There is some independent corrobation for this view.

Because of this, enormous importance is attached to McLeod Gunj's role in keeping alive Tibetan culture — a task it has been obliged to undertake since the Dali Lama fled from Lhasa in 1959.

There are only about 120,000 refugees outside Tibet — an almost insignificant number when compared, for example, with the 3m Afghans living only a few hundred miles to the west in Pakistan. About 90,000 of the Tibetans are in India, 10,000 of them having entered illegally in the last couple of years.

The government in exile is based in Dharamsala, although its 400 civil servants are spread across India. Its running expenses are financed by collections from the refugees and by the receipts from government-owned businesses, such as hotels and carpet making which together net about Rupees 6m to 7m (£300,000) a year. A further Rupees 40m is raised from international sources, predominantly India, to pay for development expenses and schools.

Many of the refugees make a living out of producing carpets, shoulder bags, trinkets and Tibetan costumes. In the south they are successful farmers. Others straddle the poverty line, building roads. But the biggest money spinner is to buy sweaters made of synthetic materials in the Punjab knitting centre of Ludhiana and marked "100 per cent pure." The Tibetans then sell them at considerable profit to tourists and others who think they are buying a genuine Tibetan product. Their most famous pitch is Delhi's Janpath shopping street.

India's tense relations with China since it lost the 1962 war—its only military defeat in 40 years of independence—much affects the Tibetan cause. India welcomes the Dalai Lama and his refugees as a pawn in relations with China, but does not go out of its way to help their cause.

"Countries like the US and India have betrayed us politically," says Mr Guari, while acknowledging that moves afoot on Capitol Hill could help attract attention to the human rights issue in Tibet. The view from Mcloed Gunj is that the world is more interested in improving its relations with China than standing up for the rights of Tibetans.

"The world community has a duty to help our culture," the Dalai Lama said on Wednesday. But the more hard-boiled view of a young monk may be more to the point. "We must," he says, "how the world non-violently that Tibet is not just a mystical place and that 'what to do with the Dalai Lama' is not the only problem."

Man in the News: Christopher Heath

It's all in a day's work

THERE ARE now, according to a recent study, some 22 dollar-billionaires in Japan.

Mr Christopher Heath is not one of them. But the £2.5m he made last year as Britain's best paid businessman owes much to the extraordinary boom in Japanese financial markets.

Heath is managing director of Baring Securities, a subsidiary of the Baring Brothers merchant bank which specialises in the Japanese stock market. Formed only four years ago, the firm has enjoyed spectacular growth. Heath is coy about the exact scale of the growth; but he guesses that the firm is worth "several hundred million" pounds today compared with "single figures" four years ago. The original staff of 15 in London and Tokyo has mushroomed to 370, and offices have been opened in New York, Hong Kong, Seoul, Singapore and Frankfurt.

More important for Heath's earnings—which are tied to profitability, like those of most stockbrokers—is the fact that profits grew more than 20-fold between 1983 and 1986. He says a "substantial" portion of Baring Securities' annual profits is distributed to employees—and as a founder and driving force behind the firm, he gets a rather more generous bonus than most.

Heath makes no apologies for his rewards. He points out that hundreds of British entrepreneurs have become paper millionaires by taking their companies to the Unlisted Securities Market.

Given that Heath has been working successfully in the Japanese market for 13 years, it seems unlikely that he is having to make a sudden adjustment to a high income. The fact that he joined the main board of Baring Brothers last year means this income is now public knowledge.

Like many prospectors, he came upon his motherlode by accident. The son of an army general, Heath left Ampleforth College in 1964 and joined ICI as a lowly order clerk for perspex sheets on £410 a year. He then spent two years chasing bad debts in the Mond division—"my first taste of management"—and joined City stockbrokers George Henderson and Partners in 1969 specialising in institutional sales.

"One day I was asked by a friend in an investment trust if I had ever looked at Japan. He gave me a short, five-point memo on why Japan would recover strongly from the high inflation it was suffering at the time."

Heath took the advice, and soon noticed that the three UK-based investment trusts then specialising in Japan were all quoted at roughly one third of their asset values. "I started buying them for clients and, by May 1975, they had all gone to premiums." When UK foreign exchange controls were lifted in 1979, his Japanese business soared.

In the early 1980s, many big City financial groups, with an eye to Big Bang, tried to woo him away from what by then had become Henderson Crosthwaite. Barings offered Heath financial support and complete independence from the group's merchant banking and fund management businesses.

Baring Securities, whose business was (and is) based largely on offering Japanese securities to overseas investors, was poised for action at just the right time. Between 1983 and 1985, the Tokyo stock market trebled in value.

In any ranking of Tokyo brokerage houses, Baring has a high standing, esteemed especially for its market judgment. The firm is also a leading market maker in Japanese equity warrants, a market that has been especially lively in the past two years. "I knew the business would grow, but it has grown at a very much more rapid pace than I expected," says Heath.

Last year, for example, when there was a steady outflow of foreign investment from the Tokyo market and many brokers fared poorly, Barings kept its nerve and recommended that its clients remain more or less fully invested. "There are always opportunities in Japan," says Heath.

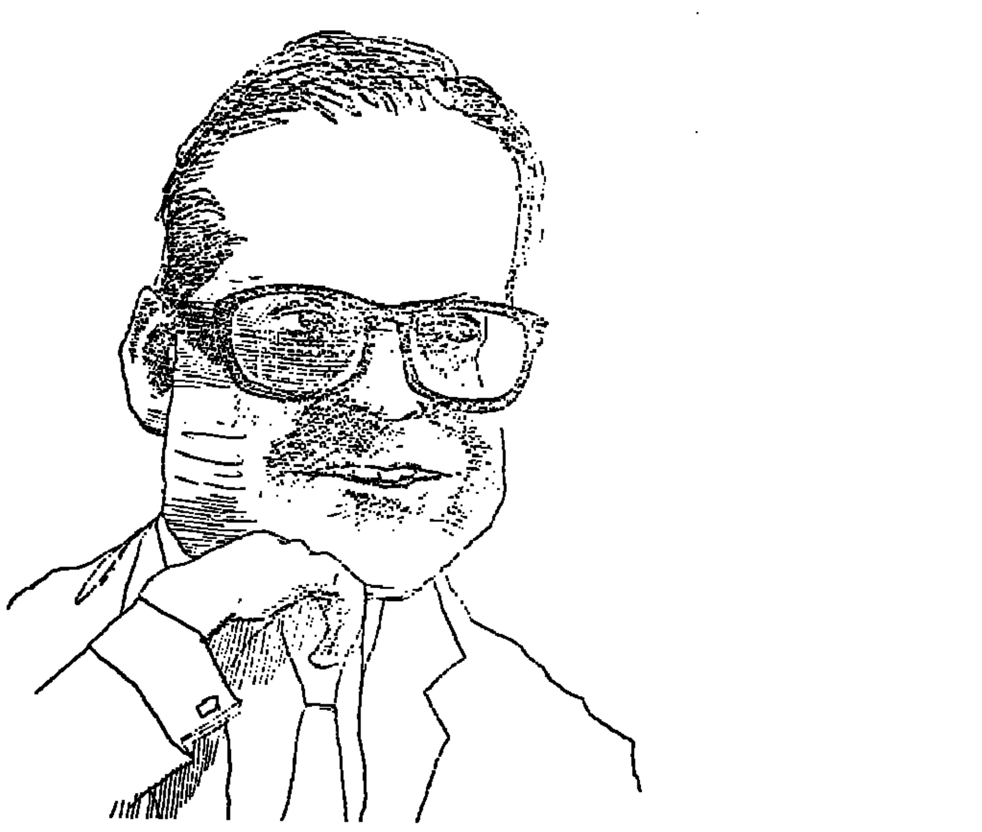
The result: "It was one of those marvellous years when everything does well."

Heath, 41, an intensely private man, is upset by the publicity that has come with the revelation of his high remuneration. He is at pains to point out that it has been a team effort and that other Baring Securities employees have also cashed in on the firm's success. "I'm not the Lone Ranger," he comments.

He is resigned to the fact that the quiet life he leads with his wife and small son in the Kensington area of London will never be quite the same — although the routine which keeps him on the road for six months of every year is unlikely to alter. But he hopes that he can continue to enjoy raising racehorses in his few hours of spare time.

With over 80 per cent of its business Japan-related and a large portion of its customer base non-Japanese, Heath admits that the firm is rather vulnerable. But he intends to keep the focus on Japan, although in a more balanced way—Baring Securities is building up its expertise in European and US markets to tempt Japanese investors who are increasingly interested in investing overseas.

Ian Rodger



Politics Today: Malcolm Rutherford

Mrs Thatcher rules the waves

Leaders in profile: Norman Tebbit and Margaret Thatcher *Alan Harper*

ONE OF the nicest lines at the Conservative Party conference in Blackpool this week came from a North Country farmer talking about the local climate: "Nine months winter followed by three months bad weather."

The weather in Blackpool was terrible. The conference was not. For the second year running, the Tories have presented a united front. To do it in the year before the general election was only sensible. To do it after having won the election hands down is remarkable.

One could tell the story another way round: "Tory tensions beneath the surface, unease about the poll tax, battle for the succession goes on." There is a certain amount in it, but it is the wrong end of the telescope. It was a very responsible conference.

It was responsible in the sense that the party, having won its third general election in a row, realises that it might very well win a fourth. That is an awfully long time in politics. The question is what to do with the power. There is still a slight fear that by the British law of averages disaster must be just around the corner.

Nevertheless, optimism is beginning to creep in. Even if the Government makes a mess of the next year or so, over such matters as the poll tax, it would still be in power. It may be getting the big things right, like sustained economic growth. In any case there is no opposition to speak of. A Government that can survive the Westland fiasco and come back to win must have resilience and when the opposition parties continue to fight among themselves at least as much as they fight Mrs Thatcher, it can afford to make mistakes on peripheral subjects.

The most interesting speech of the conference came from Mr Nigel Lawson, the Chancellor. It was cautious. He warned spending ministers, as if they had not already been told, that there can be no great letup in the campaign to control public expenditure as a percentage of Gross National Product. He made no new promises about a reduction in taxation, save to confirm the aim—around since 1979—of bringing the standard rate to 25p. He was also cautious, even apprehensive, about the international outlook. Fears of an onset of protectionism and of an implacable disagreement between the US and Japan have not gone away. Indeed, worries about what is going to happen to the American economy seem to have become stronger than ever.

The Chancellor's underlying message, however, was optimistic. If there are no international calamities, however, and if the Government sticks to its course, the country will continue to enjoy a period of sustained economic growth.

Mr Lawson did not say, but could have done, that that is what happened to West Germany in the 1950s and France in the 1960s. Higher than average economic growth over a decade or so transforms a country. It leads to self confidence. It changes attitudes.

This is not, incidentally, a paeon of praise for the Government's economic policies. What almost everybody at the conference neglected to mention was that the change has come about at least partly because of the good fortune of having North Sea oil at a time when the price was right. Without the oil the politics of the last eight years would have been quite different.

Education and the poll tax were the main subjects of contention, and on both there was more opposition than the former proceedings suggested. Yet the poll tax will go through one way or another. It seems to me ironic that the Government should be seeking to abolish domestic rates at the very time when the rise in home ownership makes the rates a reasonable form of local tax, but there Mrs Thatcher is a prisoner of her own past promises.

Education is more difficult. The opposition to allowing schools to opt out from the local authorities is considerable and there is some feeling that the Government has reacted against the state education system as a whole because it was unhappy with the state of schools in central London. It has, however, set off an enormous debate about education in general, and that can only be healthy.

The hardest subject is law and order. It is also one of the most important, apart from the economy. Yet here again the nature of the debate has changed. Anyone who watched the conference on television may have seen Mr Douglas Hurd, the Home Secretary, being given a bad time over capital punishment.

In fact, by comparison with some of his predecessors, he emerged no less scathed than he was before and spoke bravely. He said he was against hanging, knew other people were not, and that Parliament would debate it again.

The main point, however, is that if the hangers and floggers had been in the majority they would have made their voices heard. Instead there was a more general acknowledgement that the causes of crime are complex, that prisons are overcrowded and that sentencing policy is all over the place. There is a genuine debate going on about what to do about it and the Tories have accepted that it is up to them to find an answer.

There is, of course, a darker side. The readiness to censor broadcasting is part of it. Mr Hurd's announcement of a new Broadcasting Standards Authority which will eventually become a statutory body is an attempt to control electronic publishing in a way that would never be applied to books.

No one, so far as I know, spoke against it, not even of the immense practical problems that the founding of the Authority will raise. After all, what seems violence to one person seems mild to another. Censorship is what it is.

Yet, for the rest, this was a radical party consolidating its radicalism and doing so in a responsible fashion. One question was resolved at least for the time being, though no doubt it will re-emerge. There is no plausible reason at present to think that Mrs Thatcher will step down rather than seek a fourth term. Nearly all the potential successors, the younger as well as the older, had a good conference. Sir Geoffrey Howe, the Foreign Secretary, was especially sparkling and is obviously much loved by the party. But no one has emerged as the natural heir. It is hard to imagine her going until someone does.

Meanwhile, despite the inevitable ups and downs of domestic politics, one suspects that the Prime Minister's attention will turn increasingly to international affairs. One of the benefits of economic progress and stability at home is that it is possible to do better abroad.

Letters to the Editor

A potentially harmful ghost

From Mr I. Caldicott

Sir,—Some myths will simply not die quietly and Barry Riley's article (October 3) headed "Battle of the division of the spoils" seems to be an attempt to raise this potentially harmful ghost.

Contrary to popular opinion pensions actuaries are practical souls whose main aim in life is to ensure that pension funds do not run out of money before the last pensioner has died. Since a 21 year old employee could very well be drawing his pension in the year 2060 the actuary is not going to be too concerned if the market value of a pension fund's investment increases by 30 per cent in one year and equally he is unlikely to panic if a few years later the market falls by 50 per cent. Most funds are set to grow for several decades and so nobody is likely to want to turn the fund into cash. Moreover, the selling of any substantial fund would have a major effect on the market. Thus, the market value of the fund, on any particular day, is of only academic interest to the actuary.

The growth in the earnings of pension fund assets is another matter entirely and most actuaries would fully recognise an improvement in the earnings on investments in their calculations. Moreover, if the growth in investment income relative to the rate of inflation remains high for a long enough period then actuaries might very well revise the assumptions used in their calculations.

This means that, at the present time, many pension funds are producing a surplus but the amounts involved are nothing like the sort of figures which the public might be led to expect as a result of fluctuations in market values. The last time such loose talk became fashionable the Government and Inland Revenue formed the misleading impression that there was a huge untapped source of revenue available from taxing pension fund "surpluses." The result was the disposal of surplus regulations. These regulations did nothing to improve the security of pension fund members and almost nothing for tax revenues, since the "surplus" was in fact grossly over rated. The only people to gain were the civil service which, presumably grew a little bit larger to cope with the extra paperwork and the actuaries who were able to earn additional fees as a result of the additional calculation work generated by the regulations. I suspect that I speak for the majority of actuaries when I say that I would prefer to earn my crust in a rather more constructive way than generating "funny numbers."

Ian R. Caldicott.
C. E. Heath
(Employee Benefits),
169 King's Road,
Reading, Berks.

Who owns the surplus

From Mr T. Pigott.

Sir,—In his well balanced article on pension scheme surpluses "Battle over division of the spoils" (October 3), Barry Riley calls in aid "the lawyers," when giving the arguments for regarding such surpluses as belonging to the employer.

The employer may consider it has a "moral" responsibility to remedy a pension scheme deficiency, and this is an argument for regarding any surplus as belonging to the employer alone.

But he overstates the argument for this, when he says that the lawyers believe that the pension scheme is "an illusion" (or mere "back-up") and that the employer carries direct responsibility. On the contrary, most well advised employers avoid giving a solvency guarantee. Under new regulations, members' booklets must state whether the employer will pay up, if the scheme's resources are insufficient. Most new booklets spell out that members may not receive their full entitlement in that event, and the employer will not pay up.

A stronger argument is that it is the nature of a defined benefit scheme that a member has no right to the money in the fund. Instead his rights are governed by a formula, say N/60 x final salary. The size of the fund is secondary.

Take an employee who has spent 33 years with an employer with no pension scheme. If the employer starts a scheme and generously makes the 38 years pensionable, the employer need not fund this back service by an immediate lump sum. When the employee retires two years later, his pension of 40/60ths is paid in full and is unrelated to the funding.

The law, however, does not leave the member with no rights as regards a surplus. Most ways in which an employer can share in a surplus (except sometimes a contribution holiday) require trustees' consent.

Pension lawyers are now advising on the basis of the Hanson case. This says that, while members' have no legal right to participate in the surplus, they are protected in as much as the trustees must exercise their discretion whether to consent in the best interests of the members. So trustees and employer can negotiate and compromise.

Tim Pigott,
Richards Butler,
5 Clifton Street EC2.

Professionalism of teachers

From Mr N. Baker, M.P.

Sir, — Government and teachers must work together to produce the kind of education system which our children deserve. Fewer parents would feel driven to look to the private sector if they found the necessary dedication to the highest educational standards, academic, athletic or spiritual which good teachers exhibit.

Mr Jarvis' union has encouraged teachers to treat education on a parallel with manual unskilled industrial work. He has thus exhorted teachers to take "industrial action." He believes that teachers' interests are best promoted on the TUC platform. He opposes the kind of testing that is carried out satisfactorily already in many schools without allowing children who do less well in tests to be written off or treated as inferior.

Many of our teachers do a good job. But they lack a professional body to represent them which expects its members to behave professionally and they lack the kind of leadership our children deserve.

In the light of all this, it is no wonder and perhaps some encouragement that so many teachers are leaving the National Union of Teachers.

Nicholas Baker,
House of Commons SW1.

Education proposals

From the Leader,
Westminster City Council

Sir, — Councillor Hegarty (October 1) misuses your columns to suggest that inner London borough councils will decide the education policy for their areas without reference to the electorates. I assure him that the City of Westminster plans to consult electorates fully on education policy and take into account the views of parents and teachers in preparing proposals which will meet their needs.

It is quite wrong to suggest that parents in London will have less power than in the rest of the country. The Government's proposals for education reform will give exactly the same powers to parents throughout the country. The Inner London Education Authority has failed to provide this service many parents want. We have a chance to put this right and we shall take it.

(Councillor) Lady Porter.
City Hall,
Victoria Street, SW1.

Share option schemes

From the Executive Secretary,
Wider Share Ownership Council

Sir,—I read your article (October 1) about the publitcation "Programme for action" with interest. The CBI 2010 Group says that share option schemes should not be available solely to senior management. This council is in sympathy with this.

Since the share option schemes for employees were introduced in 1984 the council has campaigned for "linkage." This would be a legal requirement that a share option scheme cannot be introduced unless the scheme covers all employees in a company, or unless there is another scheme (under the 1974 or 1980 Act) in existence. Like the 2010 Group the council considers that the present system can be divisive.

Ivo Nicholls.
126 Hayes Lane,
Kenley, Surrey.

Making multiple applications

From Mr P. Ellicott

Sir,—The time and money spent on dealing with multiple applications is quite ridiculous. There is nothing wrong with multiple applications per se, only when they give some people an unfair share of a "give-away." The real answer is to price all sales realistically and allow multiple applications. If the sale price subsequently still proves to be too low, all applications should go into a weighted ballot, and consideration should be given to using a different merchant bank next time.

If the Government wishes to encourage wider share ownership, it should give individuals tax relief on a limited amount of share purchases each year—as the French do. If wider share ownership was to be targeted on privatised companies (although heaven knows why), then the tax relief could, initially, be only given to investments in those companies.

Peter Ellicott,
10 St Martins Road,
Caerphilly, Mid Glam.

Funding the railways

From Mr A. Bryson.

Sir,—Does Mr Holmes of Leeds, October 6, imagine that no-one in London and the south-east pays income or other taxes, or that trains in the provinces do not receive any subsidy?

Last year the provincial sector of BR, which includes all local trains outside Network South-East plus all provincial Inter-City expresses (including Glasgow-Edinburgh, Liverpool-Manchester - Leeds - Newcastle) received subsidies to an average of 17.6p for each single passenger mile which is many times the fare paid.

Network South-East, however, received a subsidy of less than 30 per cent of its passenger revenue. Every one of its season ticket holders pays full income tax on the price (now usually over £1,000 a year) and most employers recognise this by paying a taxable London allowance.

A much fairer way of subsidising Network South-East would therefore be for the Inland Revenue to refund to BR 27/73rds of its season ticket/Capital Card revenue monthly in a manner similar to MIDAS on house loan interest. This would have the advantage of making Network South-East almost self financing—surely a Thatcherite virtue.

A. G. R. Bryson,
132 Marine Parade,
Leigh-on-Sea, Essex.

Blandishments for motorists

From Mr R. Bonwit.

Sir,—Unfortunately, in my letter of October 5 you printed £2m. where I had written that "we spend about £2bn a year on "blandishments" for the business motorist."

Ralf Bonwit.
Sorby, Kiln Lane,
Binfield Heath,
Henley-on-Thames.

The organ or the piano

From Tracey Herring

Sir,—Dominic Gill's article (September 28) on the Leeds piano competition refers to the piano as "the king of instruments." Mozart, in a letter to his father from Augsburg dated October 17 1777, writes, "the organ is still, to my eyes and ears, the king of instruments." Who is right?

Tracey Herring (Head Girl),
St Margaret's School,
Merryhill Road,
Bushey, Herts.

Former US parent borrows against European stake

Avis, the US car rental group which was bought by its employees two weeks ago for $1.75bn (£1.07bn), is to raise an estimated £175m by issuing Eurobonds convertible into the shares of Avis Europe, the separate London-listed company in which it holds a 34.7 per cent stake.

Mr Joseph Vittoria, chairman of the US company, said yesterday that financing the buy-out would have been extremely difficult without borrowing against the Avis Europe shares. "We felt that the convertible would allow us to stay associated with Avis Europe in one way or another for several years yet," he said.

The Avis issue of exchangeable subordinated debentures will be similar to the A$1bn (£438.6m) Eurobond launched earlier this week by Bell Resources, the Australian mining and energy group controlled by Mr Robert Holmes a Court. The Bell issue is convertible into shares of Broken Hill Proprietary, of which it owns 28 per cent.

Both follow the trail blazed in May by General Cinema, the US theatre chain and soft-drink bottler, which issued a £100m debenture convertible into the shares of Cadbury Schweppes, the British food and drinks group. Cinema has disclosed a 8.3 per cent stake in Cadbury, although it has permission from US authorities to raise this to 25 per cent.

The precise amount to be raised, how much will be publicly offered and how much privately placed, the coupon and offer price have not been decided for the Avis issue, which will be lead-managed by Kleinwort Benson and Drexel Burnham Lambert.

As in the Bell and Cinema issues, Avis will retain the right to redeem the bonds with cash rather than Avis Europe shares. The issue will be listed in Luxembourg.

When Avis Europe was floated in London last November, its former US parent promised not to sell any shares for at least a year. Its stake will be diluted to less than 30 per cent by the agreed £94m acquisition, announced yesterday, of C.D. Bramall, the Bradford-based motor dealer and contract-hire group.

PROFITS MOVE UP TO £25.2M HELPED BY INCREASED TOURIST DEMAND

Avis Europe in £94m Bramall deal

BY CLAY HARRIS

Avis Europe, the car rental and leasing group, agreed yesterday to pay £94m for C.D. Bramall, the Bradford-based motor dealer and contract hire group. It also reported a 53 per cent rise in pre-tax profits from £16.5m to £25.2m in the six months to August 31.

The acquisition will raise Avis's total UK fleet of leased and managed vehicles to 44,000, second in size only to the rapidly expanding T. Cowie group. It also directly or jointly manages 35,000 contract hire vehicles in continental Europe and has a total European rental fleet of 65,000 cars.

Avis also disclosed its intention to be the first UK company to offer full-service car leases to individuals as well as corporate customers. A pilot scheme should be launched within two or three months, according to Mr Alun Cathcart, chief executive.

Leases to individuals, typically including maintenance and insurance in the monthly charges, now account for one-half of the car leasing market in the US, Mr Cathcart said, but have not been marketed so far in Britain.

Alun Cathcart, chief executive of Avis Europe

Bramall will extend the geographical coverage of Avis's contract hire business into the Midlands, northern England and Scotland. Its nine dealerships, representing Ford, Austin Rover and GM Vauxhall, will give Avis a third leg to its business and provide an outlet for ex-rental cars.

In April, Bramall quadrupled the size of its leasing fleet to 24,000 cars with the purchase for $26.3m (£16.4m) of the US Gelco group's UK vehicle business. Avis ruled itself out of the initial bidding for Gelco because the company was put on the market only six weeks after Avis's share flotation last November.

Bramall's decision to recommend the Avis bid is believed to reflect the desire of some members of the family-controlled business to realise their investments. But Mr Tony Bramall, chairman and son of the founder, and his family interests will accept sufficient Avis shares to hold nearly 5 per cent of the enlarged group. He will join the Avis board.

With Avis shares 5p lower at 418p, its five-for-three share offer values Bramall shares at 696.7p, against a market price of 660p, a 112p rise on the day. There is a cash alternative of 646.66p. Avis has received irrevocable acceptances on behalf of 57.6 per cent of the shares.

In 1986, Bramall reported pre-tax profits of £4.2m and earnings per share of 27p on turnover of £137m. In the first six months of this year, pre-tax profits were £3.6m and earnings per share 21.2p.

The first-half profits advance reported yesterday by Avis was achieved on turnover ahead by 27 per cent to £146.7m (£115.2m). Results were improved by the passing of the Chernobyl and Libya effect on tourist demand and by full ownership of a former Portuguese joint venture.

Earnings per share increased to 12p (9.5p), and there is an initial interim dividend of 3.8p, the same as last year's final.

•comment

Avis may now be No. 2 in contract hire, but its strategy has outgrown the advertising slogan that evokes. Many may survive by trying hard, but only the strong will prosper in an evolving leasing market where size and creative use of four-wheeled assets will increasingly matter. Avis intends to rent, sell or lease each car several times over, and probably it alone has the management nous and international network to offer the guaranteed service which will be a key selling point as the market nears saturation. Yesterday's figures also gave an unexpected hindsight, revealing a slight profits weighting toward the second half in 1986-87. Even if this year's result is closer to the 55-45 seasonal split suggested in the flotation prospectus, Bramall - merger accounted except for Gelco - should lift the total towards £51m pre-tax, for a prospective p/e of 19. Even the doubters should be convinced by now.

Phone lines jammed for BP share information

By Richard Tomkins

THOUSANDS OF would-be investors in British Petroleum's £7.5bn share offering have been unable to obtain the right to preferential treatment in the allocation because switchboards at the share information office proved inadequate for the number of callers.

Advertisments had told investors that they would obtain preferential treatment if they registered with BP's share information by midnight last night. However, telephone lines to the Bristol number given in the advertisment appeared to be permanently engaged yesterday.

One caller told the Financial Times that he had tried unsuccessfully to telephone the 24-hour service over a period of two days up to the deadline - once at 2 o'clock in the morning.

The Government's advisers on the issue said yesterday that every effort had been made to deal with the flood of inquiries and about 50,000 calls had been taken on 200 lines yesterday.

There are no plans to extend the deadline for preferential treatment to accommodate disappointed applicants. The Government's advisers say those wanting to be sure of preferential treatment should have applied earlier.

The share information office will remain open until next Thursday when the pricing of the share offer will be announced, but those registering from now on will receive no special consideration in the allocation.

So far more than 5.5m people have registered and the figure is expected to have gone well beyond 6m by the end of next week.

That is still well below the 7.5m inquiries received in the British Gas flotation last year, but the advisers on the offer say they are not disappointed. It will enable them to give larger allocations to both preferential and non-preferential applicants than in other recent privatisation issues, they say.

Brent Walker profits surge past £7m at halfway stage

BY DAVID WALLER

Brent Walker, the rapidly expanding leisure and property company headed by Mr George Walker, the former heavyweight boxer, yesterday announced that its pre-tax profits for the the first half of the year had more than doubled to £7.47m.

Mr Walker also disclosed that he is seeking to raise as much as £50m from the disposal of 45 Park Lane, acquired as part of the £120m purchase from Lonrho of eight casinos in June.

This would substantially reduce the financing costs of last month's £90 cash acquisition of the Trocadero Centre in Piccadilly Circus, on which Mr Walker plans to build a leisure complex incorporating a 350-bed hotel, health hydro and a new casino.

He warned that a sale of the Park Lane property could take as long as six months because of the difficulty of transferring a casino licence to another site. So other ways of refinancing the Trocadero transaction were also being considered.

Mr Walker credited the £4.2m increase in profits to a strong trading performance across all the company's divisions. Property development profits at Brighton Marina accounted for only £1.5m of the total, Mr Walker said.

Earnings per share for the 28 weeks to July 12 rose by 82 per cent to 12.96p and the interim dividend was increased by 30 per cent to 3p. Turnover gained 60 per cent to £22.7m.

The results did not include any contribution from the Lonrho casinos - now trading ahead of the company's expectations - but included a first full six month's contribution from the company's hotels in Bath and Le Touquet in France.

Sales of 120 residential properties in the Village Square at Brighton Marina had been completed without advertising, and the retail units there had all been let. Lonrho's casino's were performing ahead of expectations.

Film and television profits were enhanced by the contribution from two feature films, American Gothic and Beate Klarsfeld, Nazi Hunter. Mr Walker said that he regarded the agreed acquisition of Goldcrest, the film company, as a "fait accompli" - although it was still subject to shareholder approval next week.

•comment

As there was no divisional breakdown, Brent Walker's interims offer little scope for scrupulous analysis. The figures in aggregrate were ahead of expectations, the chairman's comments bullish, and the shares gained 17p to 420p yesterday, as brokers upgraded their forecasts to £18m for the full year. Despite the difficulties of forecasting profits for a company with such diversified interests - the most exciting of which have yet to contribute a penny to the former pugilist's coffers - out of the mist of speculation emerges a figure of £35m for next year. This puts the shares on a prospective p/e of under fifteen - undemanding for those who have faith in Mr Walker's pugnacious management skills.

IBL agrees to £29m takeover

BY RICHARD TOMKINS

IBL, the computer leasing group which revealed on Thursday that it was in talks which could lead to a bid, yesterday agreed to be taken over by the Swiss-based Inspectorate International for £29.4m.

The take-over will be the fourth in Britain's computer leasing sector in the last year. It will leave only one independently-quoted lessor on the London stock market: Atlantic Computers.

Inspectorate plans to merge IBL with Meridian, its UK-based international computer leasing subsidiary, which also comprises the operations of the United Leasing group acquired earlier this year.

The terms of the IBL offer are 41p cash for each IBL share. A loan note alternative will be available carrying an interest rate of 1 per cent a year and repayable in three to five years.

The cash offer is considerably below the 59p at which IBL closed on Thursday and its net asset value of 51p a share at the last balance sheet date. However, IBL's directors have given irrevocable undertakings to accept the offer in respect of 61 per cent of the shares, so the emergence of a rival bid appears to have been ruled out.

Mr Philip Coussens, IBL's chairman, was yesterday reported to be disappointed at the price obtained for the company. But he said he believed it was the best deal that could have been struck within the time available.

IBL's takeover results from the difficulties it encountered with its bankers following adverse reaction to its poor 1986 figures, which wiped out a third of its stock market value. The tie-up with Inspectorate will provide it with the finance it needs to expand.

The Zurich-quoted Inspectorate has a market capitalisation of over £1bn and is involved in computer leasing, technical services, inspection and quality control services. Its Meridian computer leasing activities are mainly in the US and Europe.

The newly-enlarged Meridian plans to expand into related computer services such as systems maintenance, computer disaster recovery centres and software leasing.

Mr Coussens and Mr Patrice Courbey, IBL's chief executive, will join the board of the new group. Most IBL employees are expected to keep their jobs.

Stanhope offer striking price and allotments

By Philip Coggan

The tender price on the offer-for-sale of Stanhope Properties has been set at 250p, nearly 40 per cent above the minimum level set. Applicants who tendered at lower prices will not receive an allocation.

The offer was 11 times subscribed at the striking price. All preferential applications from employees will be allocated in full, and other applications will be dealt with as follows: those who applied for less than 1,000 shares will receive 100 shares; those who asked for between 1,000 and 8,000 shares will receive 10 per cent of their applications; those who applied for 9,000 shares will receive 800; and those who applied for 10,000 shares and over will receive 8.5 per cent of their applications.

At the striking price, Stanhope will be capitalised at around £277m, the second largest company on the USM.

TRNR/Platou

The first closing date in the bid for control of TR Natural Resources by Platou will be next Saturday and not today as reported in yesterday's FT.

Arlington sees £16m this year

Arlington Securities, a business parks, property and retail company, expects pre-tax profits in the current year to more than double to about £16m.

Lord Keith of Castleacre, the chairman, who yesterday announced a sharp increase in interim earnings, said: "I shall be disappointed if the full-year results do not show growth proportionately, at least, as great as last year."

Pre-tax profits in the year to December 1986 rose 2.25 times to £7.05m. In the six months to June 30 1987, pre-tax profits were £1.5m, compared with £762,000 in the first half of 1986. The interim dividend is up 71 per cent to 1.2p, covered by earnings per share of 1.73p. The total dividend for 1986 was 2.2p.

The sale of the Booker Business Centre at High Wycombe to Dun & Bradstreet made a substantial contribution in the first half. However, most income tends to accrue in the second half. This year there should be contributions from business parks at Newbury, Frimley, Theale, the Solent and Birmingham

The Solent business park development has been boosted by the decision of Digital Equipment to pre-let the 94,000 sq ft first phase.

A Caird's £10m deal

A.Caird & Sons, Scottish property and investment company, is to raise some £10.1m through the issue of new shares to finance the purchase of a portfolio of office and warehouse properties for £9.3m and cover expenses.

The cash necessary for completion of the deal will be obtained by the issue of 3,847,500 new ordinary shares

SE looks at dealings in Pearson shares

BY RAYMOND SNODDY

DEALINGS in Pearson shares in advance of the raid by Mr Rupert Murdoch, chief executive of News Corporation, are being investigated by the Stock Exchange.

Shares in Pearson, the information, banking and china group which also owns the Financial Times, rose by more than 20p to 821.5p shortly before the 14.7 per cent Murdoch stake was revealed.

Stock exchange investigators are looking at a parcel of shares bought through an offshore Cayman Islands company before the Murdoch announcement.

It is believed that the same company had been involved in previous cases where a share price has moved sharply before a takeover or deal was about to announced.

The investigation is likely to take several weeks. If the stock exchange surveillance team finds evidence of insider dealing the case will then be passed to the Department of Trade and Industry for formal investigation.

Tyzack's expansion by £8.5m acquisition

BY PHILIP COGGAN

W A Tyzack, the Sheffield-based engineering group, yesterday announced the £8.5m acquisition of the European businesses of Pangborn Holdings, a US company formed after a leveraged buyout from Standard Oil.

The two companies being acquired - Yorkshire-based Spencer & Halstead and Italian-based Pangborn Europe - manufacture and install blast cleaning equipment. The vast majority of their profits comes from providing spare parts. In the year ended July 31, the two companies made pre-tax profits of £1.26m on turnover of £12.48m.

Payment is in the form of 5.31m ordinary shares which are being conditionally placed with institutions at 160p. The shares being placed are on offer to existing shareholders on a 53-for-94 basis.

Tyzack also revealed its results for the year to July 31 which showed pre-tax profits up 35 per cent to £540,000 (£401,000) on turnover of £10.7m (£9.1m). Earnings per share were 5 per cent up at 5.55p (5.29p). The figures included a four month contribution from A R Heathcote and Seddon & Bramhall.

In August, three directors representing a group of shareholders with 28.5 per cent of the company joined the board after an acrimonious dispute.

The final dividend is being maintained at 1.4p, making a total of 2.25p (2p). The shares closed 7p higher at 200p.

Henderson advances 38% to £3m

Henderson Group, the industrial doors and security products group which last month said it had received an approach from a possible bidder yesterday announced a 38 per cent increase from £2.21m to £3.06m in pre-tax profits for the half year to August 29 despite a marginal decline in turnover due to the sale of the Normand Electrical division.

Turnover for the period was £41.22m (£41.92m) and net operating income was £3.21m (£2.46m). Income from related companies amounted to £30,000 (£24,000) and other investment income and interest receivable totalled £737,000 (£718,000).

Interest payable was £918,000 (£994,000), tax £1.15m (£845,000) and minorities £17,000 (£76,000 credit) leaving earnings to emerge at 8.4p (6.4p) per 25p share. The interim dividend goes up from 2.5p to 3.5p.

Mr Pat Gaynor, chairman, said the P.C. Henderson division continued to trade at a very good level. The garage door business was taking full advantage of sustained demand in housebuilding and a strong replacement market.

Abru's investment last year in mechanised ladder assembley enabled the company to achieve increased sales with DIY Superstores and it had a record half year. Elsewhere in the division good progress has been made by the hardware distribution business.

Mr Gaynor said that after a hesitant start, industrial door sales picked up, and orders were usefully ahead of last year.

Mr Angus Clark, joint managing director, said the approach made by another company last month had been unwelcome. Discussions had taken place but so far there had been no further developments.

Some 17.3 per cent of Henderson's shares are held by a group of Saudi Arabian investors led by Carousel Investments. Another stake of just under 15 per cent is held by The Throgmorton Trust.

•comment

Henderson is looking leaner and fitter than for some time. The heavily loss-making Normand is out of the figures at last (though not for the comparable period) and the £2m netted on its disposal to FKI has dropped gearing from 34 per cent at the year end to 16 per cent now. Meanwhile the fresh approach to management and marketing has turned the security products division around, the recovery in industrial activity has taken the industrial doors division out of last year's doldrums, and the domestic garage doors division has been boosted by the buoyancy in housebuilding. Forecasts for the current year outcome range widely but the falling interest charge must hold out the hope of at least £6.4m. That would mark a respectable, even commendable, recovery: but with the shares buoyed to yesterday's unchanged 359p by bid speculation, the slightly outlandish price/earnings multiple has no room for upward movement on fundamentals.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§130	F.P.	20/11	170	154	Alba 10p	155	−1	L3.6	2.2	3.3	15.8
221	F.P.	—	265	221	Alexander (W)	261	−2	4.25	2.9	2.2	21.4
175	F.P.	6/11	240	215	Anglo Leasing 10p	230	−5	L2.5	1.9	1.5	16.7
**	F.P.	23-10	27	21	Atlantic Assets Wrnts	27	......	—	—	—	—
§105	F.P.	—	160	110	♦Banner Homes 10p	155	−5	R2.6	2.9	2.3	20.3
§100	F.P.	—	182	148	Butte Mining 10p	178	......	—	—	—	—
70.3	F.P.	—	73	48	CDFC Trust 10p	72	......	—	—	—	—
50	F.P.	9/9	110	58	♦Corp. Estates Prop.5p	108	+5	L0.75	2.4	0.9	58.9
§106	F.P.	—	160	135	♦Dolphin Pack 5p	148	+1	L2.0	3.5	1.8	21.0
10	F.P.	11/12	13¼	10	EFM Dragon Trust 5p	13¼	+¼	—	—	—	—
‡‡	F.P.	—	268	253	English & Caledonian Inv.	268	......	—	—	—	—
32	F.P.	30/10	47½	32	♦Explaura 5p	47½	+4½	—	—	—	—
**	F.P.	—	67	62	First Spanish I. T. Wrnts.	62	......	—	—	—	—
100	F.P.	23/10	107	97	G.T. Venture 50p.■	97	......	—	—	—	—
**	F.P.	23/10	23	22	Independent Inv. Wrnts	22	......	—	—	—	—
§15	F.P.	—	128	121	♦Marcol 5p	122	−2	L2.3	2.1	2.6	25.8
—	F.P.	—	98	55	Moorgate Inv. Warr.	90	......	—	—	—	—
§100	F.P.	—	108	103	New Guernsey Securities	108	......	—	—	—	—
§110	F.P.	4/8	343	185	♦Parkway 5p	343	+27	R1.5	4.2	0.6	54.1
§10.58	F.P.	—	$21¼	515	Portugal Fund $0.01	$17¼	......	—	—	—	—
¶¶	F.P.	—	128	105	*Season Holdings	120	+2	—	—	—	18.2
130	F.P.	—	227	180	Security Archives 20p	227	+4	R4.0	2.0	2.4	27.8
—	F.P.	26/10	118	101	Singer & Fr'dlander 10p	106	......	—	—	—	—
§87	F.P.	—	98	86	♦URS Intl. $0.01	91	−2	R4.75	1.9	2.9	18.2
§60	F.P.	—	93	85	♦WSP Hldgs. 5p	85	−1	R1.4	3.0	2.2	20.0
‡‡	F.P.	—	166	143	Zetters Leisure 10p	161	+3	L1.5	3.7	1.3	29.2

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
100	F.P.	—	110p	105p	AGB Research 6.21 Cnv. Prf.	110p	+1
100	Nil	—	6½pm	4½pm	Allied Lond. Props 5¼% Cv.Rd.Pf.	4½pm	......
100	F.P.	—	101p	98½p	Brit. & Comm. 4¾pc Cm Red Prf	99½p	+1
100	F.P.	—	102	97½	CDFC Trust 6½pc Cv 2010	101p	−1
100p	F.P.	—	102p	97p	Chesterfield Props 5¾pc Cr. Cm. Prf.	102p	......
100	£10	—	11¼	10¼	Chester Wtr Wks 11½pc Rd Db '98-2000	11	......
¶¶	F.P.	—	145p	130p	Merlin Intl. Cum. Red. Cnv. Prf.	133p	......
—	F.P.	—	100⅟₁₆	99¾	N'wide Anglia 10[illegible] pc. 12.9.88	99[illegible]	......
—	F.P.	—	100⅛	99[illegible]	Do. 10⅝pc.26.9.88	99¼	......
¶	Nil	—	9½pm	6½pm	Next 5¾% Cnv. 2003	5pm	......
100p	F.P.	—	113p	110p	♦Rendsworth Tst. 7% Cum. Cnv. Red. Prf.	111p	......

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
100	Nil	—	208pm	158pm	Arley	203pm	+5
6	Nil	19/11	6pm	5pm	Ass. Brit. Eng.1p	5pm	......
200	Nil	12/11	36pm	17pm	Bowthorpe 10p	32pm	−1
75	Nil	14/10	21pm	9pm	Forward Technology	20pm	−1
138	Nil	18/11	48pm	35pm	Harris (P) 20p	48pm	......
40	Nil	27/11	8½pm	4½pm	Hyman 5p	4½pm	−½
400	Nil	13/11	65pm	9½pm	Macarthy 20p	31pm	+6
145	Nil	—	14pm	11pm	Martin (A.) 20p	14pm	+3
425	Nil	16/10	255pm	125pm	♦Miller & Santhouse 5p	245pm	−5
210	Nil	18/11	28pm	25pm	Optical & Medical 5p	25pm	......
200	Nil	—	106pm	40p	♦Pacific Sales 10p	106pm	+5
85	Nil	—	345pm	340pm	Press Tools	360pm	......
136	Nil	—	49pm	46pm	♦Quarto	48pm	......
390	Nil	18/11	57pm	30pm	Siebe	55pm	+2
248	Nil	—	25pm	22pm	♦Tod 5p	22pm	−1
150	Nil	—	40pm	25pm	♦Tribble Harris	35pm	−5
425	Nil	13/11	21pm	6pm	Tyndall Hldgs	10pm	+3
300	Nil	11/11	41pm	18pm	♦UTC	18pm	−5

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. q Earnings based on preliminary figures. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‡‡ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ♦ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. ‡ Placing and offer for sale price. * Third Market. †Issued in £2 Units comprising 2 Ord Shares & 1 Warrant. (Exercisable at 50p into 1 Ord.) ●With warrants

Paul Cheeseright on Mountleigh's £153m new international dimension

Keeping up the pace in Spain

MR TONY Clegg's £153.38m swoop into Spain, to buy a loss-making department store chain which has some lucrative Madrid office properties, gives Mountleigh a new international dimension.

Until now, the greatest part of the aggressive property trading group's earnings has been in the UK as it has turned over larger and larger portfolios of property and thrilled the stock market in the process.

Some such move had been anticipated by the creation of Mountleigh International to search out opportunities in Europe and North America. Based in Rotterdam, Mountleigh International is the successor to the United Real Property Trust, bought for £117m in September 1986. Most of United Real's assets have now been sold.

Between now and January, when he has to hand over the full purchase price, Mr Clegg will have to decide what to do with the 29 stores, 10 office buildings and 17 warehouses he has just acquired. But one element of his trading credo is to identify a new buyer for any trading property before he buys it himself.

This, of course, becomes more difficult as the portfolios purchased for trading become larger. Indeed, first reactions in the property industry to his latest purchase were that Mr Clegg needed to go outside the UK to maintain the trading momentum he has built up.

One reason for the rise in the Mountleigh share price has been the switch in perceptions of the company as a nine-day wonder to that of a fast-moving earnings machine. However, to keep that machine moving, Mr Clegg has himself to keep on moving faster.

So far he has managed it. Phillips and Drew, Mountleigh's broker, noted that over the past five years the average annual compound increase in Mountleigh's pre-tax profits had been 127 per cent, in earnings per share 55 per cent, in dividends 43 per cent and in asset value 47 per cent.

Some of Mr Clegg's rival tycoons doubt whether he can keep up the pace. The reasoning runs along the lines that he has been successful because he has been able to exploit a rising market; what he has not had to show is the ability to exploit a static or declining one.

Mr Clegg's response would probably be that as the group he controls becomes bigger, the greater is his scope for picking the deals. Furthermore, there is always a market for good property: it simply has to be identified

Market is the key word. Mr Clegg himself says that if people buy his shares they buy a management concept. The concept is property wholesaling. To put it another way he is matching potential sellers and buyers who do not know each other and taking a turn on the way. The past record suggests that the turns have been sizeable.

The question that now arises is whether he can do the same thing in Spain as he has done in the UK. Certainly, given the tight office market in Madrid, there will be opportunities for sale and leaseback arrangements for the department store offices, and consolidation would throw up sales prospects. What can be done with the stores is probably more difficult to decide.

It is the trading skill Mountleigh has employed so far that has given shareholders a profitable ride. Without it the company would still be a force to reckon with, but not so exciting to the market.

Its acquisitions, notably that of Stockley, have given it an extensive development programme which includes 1.5m square feet of out-of-town retail schemes awaiting planning consent, the Stockley business park near Heathrow, a share in a project for London's Royal Docks, a high-tech venture in Telford and a stake in City of London office projects.

At the same time, rental income from properties remaining in the portfolio has been growing at an annual compound rate of 90 per cent for the past five years to reach £10.29m in 1986-87, or 8 per cent of trading income.

FOURTH CHANGE OF OWNERSHIP

MOUNTLEIGH'S Pta 30bn (£153m) purchase of Galerias Preciados marks the fourth change of ownership that Spain's number two department store group has undergone in six years, writes David White from Madrid.

After running into losses in the late 1970s, Galerias was acquired in 1981 by Rumasa, the controversial holding company of Mr Jose Maria Ruiz-Mateos. With the expropriation of Rumasa by the socialist government in 1983 it passed into the hands of the State, which sold it at the end of the following year to the Venezuelan Cisneros concern.

Cisneros, which paid only Pta 750m for the shares but took on a large debt burden, has since set about revamping the stores and rejuvenating their image in a bid to compete with the larger rival El Corte Ingles.

However, the 30-store chain, which employs 9,500 people, is estimated to have made a further loss of Pta 4bn in the financial year which closed on August 31, compared with Pta 6bn in 1985-86, when its sales totalled Pta 72bn.

The take-over, which is to take effect on January 15 next year, is understood to have the approval of the Spanish Government. Authorisation is required under the terms of the 1984 reprivatisation agreement, under which the Cisneros group was bound for three years not to dispose of Galerias without obtaining official permission.

Cliff sees 'substantial income' ahead next year

BY LUCY KELLAWAY

Cluff Oil, the oil and gold exploration company run by Mr Algy Cluff, yesterday announced a first half loss of £625,000, but said that next year "substantial income" would start to flow from its gold discoveries in Africa. Mr Cluff said that the company's cash position was strong, making it well placed for "significant expansion" next year.

The Freda and Rebecca discoveries in Zimbabwe are due to start production in 1988, and by the following year should be producing 64,000 ounces, Mr Cluff said. Added to present production from the Royal Family mine of 9,000 ounces, this would make Cluff into a medium-sized producer of gold. The production would be used to fund expansion in Zimbabwe, elsewhere in Africa, Europe and North America, where it is now looking at several opportunities to acquire reserves.

In Ghana the company has been granted the Mpesetia gold licence in a joint venture.

The company's oil and gas activities, which are becoming a less important part of the group, would include wells drilled over the next few months in China, Indonesia, Norfolk, and Holland, the company said.

The loss this year compared with a loss in the first half of 1986 of £347,000. Turnover was unchanged at £1.1m, and after a small tax credit, the net loss was reduced to £654,000 (£347,000).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding div	Total for year	Total last year
Arlington Secs	int	1.2†	Nov 20	0.7	-	2.2
Avis Europe	int	3.8	Dec16	nil	-	3.8
Brent Walker	int	3†	Jan 4	3.5	-	8.5
Henderson Group	int	3.5	Dec 4	2.5	-	7.5
W A Tyzack	fin	1.4†	-	1.4	2.25	2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §Unquoted stock. ØThird market.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Friday October 9 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Thu Oct 8 Index No.	Wed Oct 7 Index No.	Tue Oct 6 Index No.	Year ago (approx.) Index No.	1987 High		1987 Low		Since Compilation High		Since Compilation Low	
1	CAPITAL GOODS (214)	1012.56	-0.3	6.90	2.78	18.19	17.43	1015.54	1005.58	1007.43	657.64	1038.07	16/7	696.73	2 /1	1038.07	16/7 /87	50.71	13/12/74
2	Building Materials (30)	1252.17	+0.1	7.43	2.89	16.79	21.17	1250.72	1239.67	1243.23	753.76	1381.08	16/7	860.99	5 /1	1381.08	16/7 /87	44.27	11/12/74
3	Contracting, Construction (33)	1881.87	-0.3	6.53	2.65	20.46	27.76	1888.41	1873.48	1875.08	1131.12	1951.58	16/7	1105.88	2 /1	1951.58	16/7 /87	71.48	2 /12/74
4	Electricals (14)	2613.54	—	6.62	3.32	19.22	46.23	2612.56	2538.84	2589.98	1722.21	2733.45	20/7	1772.22	2 /1	2733.45	20/7 /87	84.71	25/6 /62
5	Electronics (34)	2183.37	-1.0	7.36	2.31	17.70	34.51	2204.93	2171.55	2176.09	1450.14	2236.70	17/7	1543.77	2 /1	2236.70	17/7 /87	1229.81	8 /10/85
6	Mechanical Engineering (60)	542.52	-0.4	6.74	2.95	18.66	10.70	544.56	540.07	539.33	361.91	544.56	8 /10	393.85	2 /1	544.56	8 /10/87	45.43	5 /1 /75
8	Metals and Metal Forming (7)	596.67	+0.6	6.73	2.74	18.06	8.88	592.99	588.10	586.38	324.43	596.67	9 /10	355.97	2 /1	596.67	9 /10/87	49.65	6 /1 /75
9	Motors (14)	408.19	—	7.17	2.76	16.33	5.75	408.00	404.03	404.80	268.27	408.39	2 /10	272.03	2 /1	408.39	2 /10/87	19.91	6 /1 /75
10	Other Industrial Materials (22)	1714.22	-0.1	6.09	3.03	19.54	35.24	1716.27	1704.02	1713.55	1221.50	1736.80	22/9	1179.19	2 /1	1736.80	22/9 /87	277.55	15/1 /81
21	CONSUMER GROUP (183)	1370.97	-0.2	5.97	2.53	21.33	17.74	1373.34	1364.74	1367.50	908.56	1406.32	16/7	950.87	2 /1	1406.32	16/7 /87	61.41	13/12/74
22	Brewers and Distillers (22)	1227.32	-0.3	8.25	3.00	15.31	17.51	1230.83	1225.05	1223.44	924.08	1269.35	16/7	938.04	2 /1	1269.35	16/7 /87	69.47	13/12/74
25	Food Manufacturing (23)	1033.33	-0.8	7.13	3.01	18.10	16.30	1042.18	1037.70	1044.39	696.85	1092.25	16/7	738.32	2 /1	1092.25	16/7 /87	59.67	11/12/74
26	Food Retailing (16)	2480.02	-0.3	5.92	2.37	22.51	36.85	2496.58	2481.11	2478.91	1869.06	2649.96	16/7	1803.80	2 /1	2649.96	16/7 /87	54.25	11/12/74
27	Health and Household Products (10)	2591.32	-0.9	4.00	1.56	28.99	16.41	2614.54	2608.63	2612.46	1490.27	2699.85	16/7	1645.70	2 /1	2699.85	16/7 /87	175.38	28/5 /80
29	Leisure (31)	1481.85	+0.5	5.49	2.99	22.76	27.70	1474.30	1463.66	1461.80	902.75	1481.85	9 /10	986.35	2 /1	1481.85	9 /10/87	54.83	9 /1 /75
31	Packaging & Paper (15)	709.64	-0.5	5.95	2.57	22.14	10.75	713.47	707.53	712.10	453.98	739.48	16/7	491.50	2 /1	739.48	16/7 /87	43.46	6 /1 /75
32	Publishing & Printing (15)	5037.12	—	4.02	2.81	31.89	67.01	5035.15	4990.08	5036.84	2529.83	5070.66	5 /10	2713.49	2 /1	5070.66	5 /10/87	55.08	6 /1 /75
34	Stores (35)	1126.72	+0.8	6.26	2.61	21.64	14.37	1118.24	1107.51	1108.37	822.59	1160.58	29/7	835.17	2 /1	1160.58	29/7 /87	52.63	6 /1 /75
35	Textiles (16)	905.78	+0.4	6.97	2.55	16.59	12.15	902.44	891.27	894.91	526.05	914.52	2 /10	541.39	2 /1	914.52	2 /10/87	62.66	11/12/74
40	OTHER GROUPS (86)	1183.71	-0.7	7.36	3.00	16.93	20.55	1192.48	1183.03	1188.22	768.85	1192.48	8 /10	815.89	5 /1	1192.48	8 /10/87	58.63	6 /1 /75
41	Agencies (17)	1744.72	+0.1	3.60	1.30	36.44	15.86	1742.73	1726.04	1737.11	0.0	1795.57	17/7	1111.16	2 /1	1795.57	17/7 /87	1111.16	2 /1 /87
42	Chemicals (21)	1532.51	-0.7	6.43	3.00	19.01	32.41	1542.89	1539.92	1542.33	987.84	1545.46	5 /10	1002.01	2 /1	1545.46	5 /10/87	71.20	1 /12/74
43	Conglomerates (13)	1537.49	-0.6	6.69	3.04	17.10	22.10	1547.01	1525.97	1537.00	0.0	1547.01	8 /10	1112.14	2 /1	1547.01	8 /10/87	1112.14	2 /1 /87
45	Shipping and Transport (11)	2390.29	-0.8	7.07	3.44	18.57	51.44	2408.75	2387.87	2369.16	1438.15	2497.85	16/7	1567.77	2 /1	2497.85	16/7 /87	90.80	29/6 /62
47	Telephone Networks (2)	1117.65	-0.6	9.07	3.62	14.70	18.98	1124.44	1113.45	1121.38	769.53	1274.14	9 /6	837.15	5 /1	1274.14	9 /6 /87	517.92	30/11/84
48	Miscellaneous (22)	1728.96	-1.5	8.77	2.73	13.59	32.28	1755.75	1746.38	1757.36	1056.46	1773.70	5 /10	1301.37	5 /1	1773.70	5 /10/87	60.39	6 /7 /75
49	INDUSTRIAL GROUP (483)	1243.33	-0.4	6.59	2.72	19.10	18.96	1247.82	1238.28	1241.53	815.72	1268.86	16/7	860.46	2 /1	1268.86	16/7 /87	59.01	13/12/74
51	Oil & Gas (17)	2221.26	-0.4	7.71	4.41	15.98	65.09	2230.44	2241.72	2264.60	1390.85	2458.68	16/7	1585.69	5 /1	2458.68	16/7 /87	87.23	29/5 /62
59	500 SHARE INDEX (500)	1326.49	-0.4	6.75	2.96	18.60	22.93	1331.38	1323.57	1328.47	864.05	1369.88	16/7	915.61	2 /1	1369.88	16/7 /87	63.49	13/12/74
61	FINANCIAL GROUP (119)	896.25	+0.6	—	3.43	—	18.77	890.90	880.09	880.40	591.74	896.25	9 /10	615.75	2 /1	896.25	9 /10/87	55.88	13/12/74
62	Banks (8)	876.30	-0.5	15.23	4.44	8.68	25.98	880.97	866.25	870.24	660.02	898.38	16/7	685.07	14/4	898.38	16/7 /87	62.44	12/12/74
65	Insurance (Life) (9)	1285.72	+2.2	—	3.45	—	25.73	1257.93	1236.18	1233.61	813.33	1285.72	9 /10	869.23	2 /1	1285.72	9 /10/87	44.88	2 /1 /75
66	Insurance (Composite) (7)	702.61	+0.1	—	3.92	—	15.97	701.74	696.57	687.79	458.10	702.61	9 /10	456.52	2 /1	702.61	9 /10/87	43.96	13/12/74
67	Insurance (Brokers) (8)	1273.82	—	8.72	4.50	14.68	36.87	1273.51	1263.70	1266.26	1261.56	1399.56	17/7	1009.71	14/4	1399.56	17/7 /87	65.86	16/12/74
68	Merchant Banks (12)	544.68	+1.8	—	2.38	—	8.31	535.10	534.28	535.42	323.28	544.68	9 /10	345.85	2 /1	544.68	9 /10/87	31.21	7 /1 /75
69	Property (48)	1353.96	+1.4	3.58	2.19	36.10	14.54	1334.98	1320.69	1326.33	748.33	1374.86	16/7	805.82	5 /1	1374.86	16/7 /87	56.01	20/4 /65
70	Other Financial (27)	600.50	+0.1	5.82	2.64	21.98	9.51	599.72	592.86	593.56	359.83	603.48	16/7	365.01	2 /1	603.48	16/7 /87	33.29	17/12/74
71	Investment Trusts (89)	1201.19	-0.1	—	2.04	—	14.35	1202.66	1196.07	1202.66	789.55	1224.41	2 /10	867.57	2 /1	1224.41	2 /10/87	71.12	13/12/74
81	Mining Finance (2)	698.19	-0.5	6.51	2.50	17.30	18.41	701.88	694.51	694.51	343.54	727.93	3 /8	341.86	2 /1	727.93	3 /8 /87	66.31	30/9 /74
91	Overseas Traders (10)	1361.84	+0.9	6.91	3.50	17.10	29.58	1349.74	1325.70	1313.96	691.98	1361.84	9 /10	778.26	2 /1	1361.84	9 /10/87	97.37	6 /1 /75
99	ALL-SHARE INDEX (720)	1216.26	-0.2	—	3.00	—	21.48	1218.65	1210.10	1213.82	789.46	1238.57	16/7	835.48	2 /1	1238.57	16/7 /87	61.92	13/12/74
		Index No.	Day's Change	Day's High	Day's Low	Oct 8	Oct 7	Oct 6	Oct 5	Oct 2	Year ago								
	FT-SE 100 SHARE INDEX ‡	2366.5	-9.0	2371.1	2352.5	2375.5	2359.8	2367.9	2385.8	2382.2	1599.4	2443.4	16/7	1674.5	2 /1	2443.4	16/7 /87	986.9	23/7 /84

FIXED INTEREST

	PRICE INDICES	Fri Oct 9	Day's change %	Thu Oct 8	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	120.04	-0.04	120.19	0.10	9.43
2	5-15 years	134.05	-0.10	134.54	0.35	10.86
3	Over 15 years	141.62	-0.07	141.83	0.11	10.40
4	Irredeemables	156.14		156.14	—	8.81
5	All stocks	131.65	-0.07	131.98	0.23	10.37
	Index-Linked					
6	5 years	119.59	-0.09	119.69	—	2.18
7	Over 5 years	107.62	-1.05	108.77	—	2.60
8	All stocks	108.46	-0.96	109.51	—	2.55
9	Debentures & Loans	114.43	-0.02	114.45	—	8.07
10	Preference	83.14	-0.08	83.21	—	4.89

	AVERAGE GROSS REDEMPTION YIELDS		Fri Oct 9	Thu Oct 8	Year ago (approx.)	1987 High		1987 Low	
	British Government								
1	Low	5 years	9.61	9.58	9.59	9.78	2 /1	7.52	11/5
2	Coupons	15 years	9.91	9.89	10.15	10.08	2 /1	8.53	8 /5
3		25 years	9.73	9.72	10.15	10.08	2 /1	8.55	8 /5
4	Medium	5 years	10.34	10.29	10.98	10.80	2 /1	8.39	8 /5
5	Coupons	15 years	10.17	10.15	10.52	10.39	2 /1	8.74	8 /5
6		25 years	9.95	9.94	10.18	10.18	2 /1	8.75	8 /5
7	High	5 years	10.40	10.36	11.08	10.84	2 /1	8.58	8 /5
8	Coupons	15 years	10.34	10.31	10.73	10.57	2 /1	8.86	8 /5
9		25 years	9.99	9.96	10.29	10.24	2 /1	8.72	8 /5
10	Irredeemables †		9.96	9.93	9.95	10.06	2 /1	8.67	8 /5
	Index-Linked								
11	Inflation rate 5%	5yrs	3.68	3.63	4.57	3.95	2 /1	2.03	20/5
12	Inflation rate 5%	Over 5 yrs	4.36	4.28	3.75	4.36	9 /10	3.30	6 /4
13	Inflation rate 10%	5 yrs	3.75	3.68	3.27	3.75	9 /10	0.85	24/3
14	Inflation rate 10%	Over 5 yrs	4.37	4.30	3.60	4.37	9 /10	3.17	27/3
15	Debs &	5 years	11.72	11.64	11.34	11.72	9 /10	9.46	12/6
16	Loans	15 years	11.48	11.48	11.33	11.56	30/9	9.79	23/3
17		25 years	11.29	11.31	11.33	11.48	26/8	9.84	23/3
18	Preference †		10.93	10.92	11.36	11.83	2 /1	10.05	22/6

‡Opening index 2368.1; 10 am 2370.8; 11 am 2366.3; Noon 2365.62361.4; 1 pm 2386.4; 2 pm 2356.2; 3 pm 2352.6; 3.30 pm 2358.0; 4 pm 2367.9

CONSTITUENT CHANGES: Scottish National Trust(71) and Barham Group(32) have been deleted. International Business Communications (Holdings)(32) has been inserted. NAME CHANGES: Dubilier to Dubilier International.

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p

F.T.-ACTUARIES SHARE INDICES

QUARTERLY VALUATION

The market capitalisation of the groups and sub-sections of the FT-Actuaries indices as at September 30, 1987 are expressed below in millions of pounds and as a percentage of the All-Share Index. Similar figures are also provided for the two preceding quarters.

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses denote number of stocks)		Market capitalisation as at Sep. 30, 1987 (£m.) †	% of all share index †	Market capitalisation as at June 30, 1987 (£m.)	% of all share index	Market capitalisation as at Mar. 31, 1987 (£m.)	% of all share index
1	CAPITAL GOODS GROUP	(214)	79,165.5	17.25	73,415.6	17.15	62,025.9	16.94
2	Building Materials	(30)	15,041.2	3.28	14,669.8	3.43	12,194.0	3.32
3	Contracting, Construction	(33)	7,612.5	1.66	7,135.9	1.67	5,559.7	1.52
4	Electricals	(14)	3,536.3	0.77	2,184.5	0.51	1,816.8	0.50
5	Electronics	(34)	17,332.8	3.77	17,378.0	4.06	15,181.3	4.15
6	Mechanical Engineering	(60)	14,333.5	3.12	13,661.8	3.19	10,394.3	2.84
8	Metals and Metal Forming	(7)	2,525.1	0.55	2,268.8	0.53	1,913.6	0.52
9	Motors	(14)	5,064.8	1.10	4,552.4	1.06	4,230.2	1.16
10	Other Industrial Materials	(22)	13,719.3	3.00	11,564.4	2.70	10,736.0	2.93
21	CONSUMER GROUP	(183)	143,025.3	31.16	135,664.4	31.70	117,673.2	32.14
22	Brewers and Distillers	(22)	18,837.5	4.10	18,211.4	4.25	16,013.5	4.37
25	Food Manufacturing	(23)	19,753.4	4.30	20,060.5	4.69	17,025.5	4.65
26	Food Retailing	(16)	15,872.9	3.47	15,409.8	3.60	12,789.1	3.49
27	Health and Household Products	(10)	28,201.3	6.15	26,245.4	6.13	23,610.5	6.45
29	Leisure	(31)	11,444.9	2.49	10,260.7	2.40	9,276.9	2.53
31	Packaging and Paper	(15)	4,488.2	0.98	4,310.2	1.01	3,623.9	0.99
32	Publishing and Printing	(15)	10,068.9	2.19	8,285.7	1.94	6,205.1	1.69
34	Stores	(35)	28,022.2	6.10	27,263.6	6.37	24,267.7	6.64
35	Textiles	(16)	6,336.0	1.38	5,617.1	1.31	4,861.0	1.33
40	OTHER GROUPS	(86)	84,335.5	18.38	75,819.4	17.72	67,396.4	18.41
41	Agencies	(17)	7,786.9	1.70	6,209.7	1.45	5,376.4	1.47
42	Chemicals	(21)	17,391.0	3.79	15,874.4	3.71	13,769.2	3.76
43	Conglomerates	(13)	14,909.1	3.25	13,462.1	3.15	10,594.7	2.89
45	Shipping and Transport	(11)	7,880.0	1.72	6,199.1	1.45	5,353.8	1.46
47	Telephone Networks	(2)	20,944.7	4.56	21,188.4	4.95	18,882.2	5.16
48	Miscellaneous	(22)	15,423.8	3.36	12,885.7	3.01	13,420.1	3.67
49	INDUSTRIAL GROUP	(483)	306,526.3	66.79	284,899.4	66.57	247,095.5	67.49
51	Oil and Gas	(17)	51,723.6	11.27	51,904.7	12.13	42,763.7	11.68
59	500 SHARE INDEX		358,249.9	78.06	336,804.1	78.70	289,859.2	79.17
61	FINANCIAL GROUP	(119)	71,772.6	15.64	66,305.3	15.49	54,018.6	14.75
62	Banks	(8)	20,887.3	4.55	19,239.0	4.50	16,677.1	4.55
65	Insurance (Life)	(9)	9,576.6	2.10	9,036.5	2.11	7,495.5	2.05
66	Insurance (Composite)	(7)	10,981.3	2.39	9,892.2	2.31	8,489.6	2.31
67	Insurance Brokers	(8)	2,828.0	0.62	2,980.5	0.70	2,810.6	0.77
68	Merchant Banks	(12)	4,925.8	1.07	3,643.0	0.85	3,210.0	0.88
69	Property	(48)	15,396.3	3.35	15,031.8	3.51	10,028.0	2.74
70	Other Financial	(27)	7,177.3	1.56	6,482.3	1.51	5,307.8	1.45
71	Investment Trusts	(90)	17,597.6	3.83	16,107.3	3.77	14,846.7	4.06
81	Mining Finance	(2)	7,257.5	1.58	5,260.4	1.23	4,560.9	1.25
91	Overseas Traders	(10)	4,053.1	0.89	3,469.1	0.81	2,838.6	0.77
99	ALL-SHARE INDEX	(721)	458,930.7	100.0	427,946.2	100.0	366,124.0	100.0

† After year-end changes.

INTERNATIONAL BUSINESS MACHINES CORPORATION
NOTICE OF REDEMPTION
of
6-3/8% Exchangeable Subordinated Debentures Due 1996
Exchangeable for Capital Stock of Intel Corporation
Redemption Date November 10, 1987
Exchange Privilege Expires at the Close of Business on November 9, 1987

October 10, 1987

To the Holders of 6-3/8% Exchangeable Subordinated Debentures Due 1996:

International Business Machines Corporation, a New York corporation (the "Company"), has called for redemption on November 10th, 1987, all its outstanding 6-3/8% Exchangeable Subordinated Debentures Due 1996 (the "Debentures"), pursuant to Section 7 of the Terms and Conditions of Debentures. The redemption price is 105% of the principal amount of each Debenture plus interest accrued to the redemption date (or U.S. $5,470.47 for each U.S. $5,000 principal amount of Debentures). Holders of Debentures may, at any time prior to the close of business on November 9, 1987, exchange their Debentures for shares of Capital Stock of Intel Corporation ("Intel Capital Stock") pursuant to Section 4 of the Terms and Conditions of Debentures.

The following alternatives are available to the holders of Debentures:

(1) Holders may exchange their Debentures for shares of Intel Capital Stock in accordance with the provisions of the Debentures. Intel Corporation has declared a 3-for-2 stock split in the form of a stock dividend payable on October 28, 1987, to stockholders of record on September 28, 1987. The Debentures are currently exchangeable at a price of U.S. $38.50 principal amount of Debentures for each share of Intel Capital Stock, equivalent to 129.870 shares of Intel Capital Stock per U.S. $5,000 principal amount of Debentures. On and after October 28, 1987, the Debentures will be exchangeable at 194.805 shares per U.S. $5,000 principal amount of Debentures, equivalent to an exchange price of approximately U.S. $25.67 principal amount of Debentures for each share of Intel Capital Stock. As a result of the foregoing, holders of Debentures submitted for exchange who receive certificates for shares of Intel Capital Stock issued prior to October 28, 1987, will receive a certificate for a number of full shares of Intel Capital Stock based upon the exchange rate of 129.870 shares per U.S. $5,000 principal amount of Debentures, and a due-bill for an additional number of full shares, so that such holder will receive an aggregate number of full shares based upon the adjusted exchange rate of 194.805 shares per U.S. $5,000 principal amount of Debentures. Any such due bills will be non-transferable and will be satisfied by delivery of shares of Intel Capital Stock after October 28, 1987. Certificates issued on or subsequent to October 28, 1987, upon exchange for Debentures will represent a number of full shares based upon the adjusted exchange rate of 194.805 shares per U.S. $5,000 principal amount of Debentures. No payment will be made upon any exchange on account of interest on the Debentures or cash dividends on Intel Capital Stock. No fractional shares of Intel Capital Stock will be issued upon exchange of Debentures; instead, fractional shares will be paid for in cash based upon the Market Value (as defined in the Terms and Conditions of Debentures) of the shares on the business day next preceding the date the Debentures are delivered for exchange, as adjusted to reflect the 3-for-2 split where appropriate. The closing sale price of Intel Capital Stock as reported by NASDAQ on October 6, 1987, was U.S. $60.75 per share (which price did not reflect the 3-for-2 split).

(2) Holders may sell their Debentures on the open market.

(3) Holders may surrender their Debentures for redemption at the redemption price of 105% of the principal amount of the Debenture plus interest accrued to the redemption date. Interest will cease to accrue on the redemption date.

Exchange Privilege

Pursuant to Section 4(b) of the Terms and Conditions of Debentures, Debentures to be exchanged must be surrendered (in the case of a Bearer Debenture, together with all unmatured coupons appertaining thereto or, in lieu of any missing unmatured coupons, funds equal to the aggregate face amount of all such missing coupons) during regular business hours at the office of the Registrar or any Transfer Agent referred to below (or, in the case of a Bearer Debenture, only at the office of a Transfer Agent), by the close of business on November 9, 1987. The London office of Chemical Bank has been designated as an additional Transfer Agent for purposes of accepting Debentures surrendered for exchange. THE EXCHANGE PRIVILEGE FOR BEARER BONDS EXPIRES AT THE CLOSE OF BUSINESS ON NOVEMBER 9, 1987, AT 5 PM LONDON TIME, AND FOR REGISTERED BONDS AT 5 PM NEW YORK TIME ON THE SAME DATE.

Debentures surrendered for exchange must be accompanied by a written Exchange Notice stating that the holder elects to exchange such Debentures and also stating the name or names (with address and tax identification number to the extent required) in which the certificate or certificates for shares of Intel Capital Stock deliverable upon such exchange shall be issued. Registered Debentures surrendered for exchange must be accompanied by proper assignments thereof to the Company or in blank for transfer.

Pursuant to Section 4(b) of the Terms and Conditions of Debentures, the Company will, as promptly as practicable after receipt of the Exchange Notice and surrender of Debentures in proper form for exchange, deliver or cause to be delivered to the surrendering holder, at the office of the Registrar or Transfer Agent at which the Debentures were surrendered, a certificate or certificates for the shares of Intel Capital Stock deliverable upon exchange, together with payment for any fractional shares and, if necessary, a due-bill with respect to shares of Intel Capital Stock deliverable as a result of the 3-for-2 stock split described above. Notwithstanding the foregoing, holders may elect, pursuant to the Exchange Notice, to receive delivery of such stock certificates, due-bills (and stock certificates in respect thereof) and payments by mail. Any such delivery effected by mail shall be mailed to the address specified in the Exchange Notice, and such mailing shall be at the risk of the holder.

The closing sale price of Intel Capital Stock as reported by NASDAQ on October 6, 1987, was U.S. $60.75 per share. SO LONG AS THE MARKET PRICE OF INTEL CAPITAL STOCK EQUALS OR EXCEEDS U.S. $42.125 PER SHARE (OR U.S. $28.125 PER SHARE AFTER OCTOBER 28, 1987, REFLECTING THE 3-FOR-2 SPLIT REFERRED TO ABOVE), A HOLDER OF DEBENTURES WHO EXCHANGES SUCH DEBENTURES WILL RECEIVE INTEL CAPITAL STOCK WITH A MARKET VALUE, PLUS CASH IN LIEU OF FRACTIONAL SHARES, GREATER THAN THE AMOUNT OF CASH THAT THE HOLDER WOULD RECEIVE UPON REDEMPTION.

Redemption

Pursuant to Section 7 of the Terms and Conditions of Debentures, the Company's option to redeem the Debentures prior to March 1, 1989, is subject to the condition that the market price of the Intel Capital Stock is at least 130% of the exchange price, on each of the 30 successive trading days immediately preceding the fifteenth day prior to the initial publication of the notice of redemption. This condition was satisfied as of September 24, 1987.

The payment of the redemption price will be made (i) in the case of a Bearer Debenture, at the main office of the Fiscal Agent in London, or, subject to applicable laws and regulations, the office of any Paying Agent referred to below, and (ii) in the case of a Registered Debenture, at the principal corporate trust office of the Fiscal Agent in New York or, subject to applicable laws and regulations, the main office of Banque Internationale a Luxembourg referred to below, upon presentation and surrender of the Debentures to be redeemed (in the case of a Bearer Debenture, together with all unmatured coupons appertaining thereto).

FISCAL AGENT AND REGISTRAR
Chemical Bank, 55 Water Street, New York, New York 10041, United States

London Office of Fiscal Agent,
Chemical Bank, Chemical Bank House, 180 Strand, London WC2R 1EX, England

PAYING AGENTS
Chemical Bank, 85 Avenue Marceau, 75783 Paris, France
Chemical Bank A.G., Ulmenstrasse 30, 6000 Frankfurt am Main 17, Germany
Chemical Bank, Freigutstrasse 16, CH-8039 Zurich, Switzerland

PAYING AND TRANSFER AGENTS
Chemical Bank, Chemical Bank House, 180 Strand, London WC2R 1EX, England
Banque Internationale a Luxembourg, 2 Boulevard Royal, 2953 Luxembourg Ville, Luxembourg
Kredietbank N.V., 7 Arenbergstraat, 1000 Brussels, Belgium

Intel profits at record as its recovery gathers pace

BY LOUISE KEHOE IN SAN FRANCISCO

INTEL, the US semiconducton manufacturer, has reported record sales and profits for the third quarter, reflecting the "boom and bust" cycle of the US chip industry.

With third-quarter net earnings of $81m, or 45 cents per share, Intel eclipsed its previous record earnings - $46m in the second quarter - and left as a dark and distant memory six consecutive quarterly losses that ended in the fourth quarter of last year.

This year's third-quarter net earnings, however, include a $29m credit for tax-loss carried forward.

Third-quarter revenues were $501m, a 55 per cent increase over the same period last year.

For the equivalent period of 1986, the company reported a net loss of $114m, or 65 cents per share, on revenues of $324m.

Intel also reported record revenues of $1.33bn for the first nine months of 1987, a 47 per cent increase from $909m for the same period in 1986.

Net income for the 1987 period was $153, or 84cents per share, including $49m in tax-loss carried forward. This compares with a loss of $157m, or 89 cents pershare, a year earlier.

Dr Andrew Grove, president and chief executive officer, said: "Sales continue to be driven by strong demand from the office automation market.

"This demand has resulted in our investing inadditional capacity. Our plans are on schedule, and production from these new and upgraded plants should begin during the first half of 1988."

Analysts attributed Intel's earnings growth to a surge in personal computer sales.

The company's microprocessors and related chips are used by IBM and many of the IBM-compatible personal computer makers.

Mr Mel Thomsen, a semiconductor analyst at Dataquest, the market researcher, said: "We have been expecting Intel's sales to go through the roof.

"The personal computer market has taken off much earlier than anticipated and Intel is a major beneficiary."

According to analysts, Intel is gaining ground on competitors in the supply of microprocessors due to the success of its 386 32-bit unit which has been adopted by IBM, Compaq and other leading personal computer manufacturers.

Intel was also making strategic moves to broaden its markets in the automotive, military and scientific computer markets, Mr Thomsen said.

He added that although the current surge in Intel sales could not last forever, because of the cyclical nature of the semiconductor market, its strategy should smooth out the dramatic peaks and troughs experienced by the company in recent years.

Hong Kong groups aim for world markets

By David Dodwell in Hong Kong

TWO HONG KONG manufacturers yesterday unveiled plans for international expansion, reflecting the current strength of Hong Kong industry in the midst of an export boom and their increasing substance as competitors in respective world markets.

Novel Enterprises, a garments group controlled by the Chao family which was floated on the Hong Kong Stock Exchange early this year, has paid US$18m for a 24 per cent stake in Forstmann, one of the oldest and best-known US manufacturers of woollen and worsted blended fabrics.

At the same time, Johnson Electric, the electronics group controlled by the Wang family that claims to be the world's largest independent manufacturer of micromotors, revealed plans to offer 28m new shares - amounting to 10 per cent of its issued capital - to institutional investors in Europe. The issue is intended to raise HK$335m (US$43m).

Novel makes yarn and knitwear in Hong Kong, Macao and China. It produces in Mauritius knitwear products destined for European Community markets.

It also specialises in denim goods, and supplies high-quality silk garments - particularly kimonos - to Japan. Sales in the year to March amounted to HK$1.25bn, generating net profits of HK$126m.

Mr K.P. Chao, Novel's chairman, said yesterday that the association with Forstmann would give the group the opportunity to expand and diversify its products and manufacturing base. At the same time, he said Novel would help Forstmann to develop its business internationally.

Forstmann claims to have a 20 per cent share of the US market for wool fabrics, and 9 per cent for worsted products. It had a turnover of US$198m in the year to February, and net profits of US$5.6m.

Novel has agreed not to dispose of its holding for at least two years, with limitations on sale for a further three years. It has also agreed not to raise its holding above 30 per cent for five years.

Johnson Electric - which supplies micromotors for products as diverse as IBM typewriters, power drills, Mercedes Benz cars and Kodak cameras - said yesterday its share offering "not only reflects the growing internationalisation of the Hong Kong market, but also recognises interest shown in our company by overseas institutions."

The company makes about 250,000 micromotors a day, about 37 per cent going to the US. Sales in the year to March were HK$418m, with taxed profits of HK$94m.

The Wang family controls about 74 per cent of the company, but this will be diluted to 67 per cent after the offer.

Fecsa nears rescheduling deal

BY DAVID WHITE, IN MADRID

FECSA, the troubled Spanish electrical utility, said yesterday it was close to an agreement with creditors for rescheduling its Pta617bn ($5.1bn) of borrowings.

The proposed agreement is understood to involve an extension of bank repayments over 10 years, an injection of a further Pta57bn in fresh equity from Spanish banks and other electrical companies, a Pta110bn jumbo bond issued to refinance outstanding bonds, and a convertible bond issue of Pta60bn.

Included in Fecsa's Pta616.7bn of debts at the end of last year were Pta188.6bn of foreign currency loans.

Foreign bankers said yesterday that the main obstacles to solving the eight-month-old debt crisis had been overcome.

They added the outline agreement would let them avoid both principal and interest losses. Foreign banks would not take part in the convertible bond issue.

One foreign bank representative said: "An acceptable agreement is visible."

A provisional accord between the company and the steering committee of foreign creditors and Spanish savings banks is expected by the end of the month, making way for the possible return of Fecsa shares to the Milan stock market, where trading was suspended in February.

Final agreement, however, requires individual endorsement by about 500 banking and creditor institutions.

Foreign bankers said the ultimate decision now lay with the Spanish commercial banks and the Government. Their own initial agreement was pegged to a satisfactory reform of the Government's electricity pricing mechanism and to a demonstration of official backing for the rescheduling package.

Details remaining to be fixed include the periods for a sliding scale of interest rates on bank credits - which would start at the London interbank offered rate for foreign loans, and not below as Fecsa originally proposed - and the coupon for the 12-year bond issue.

Lawyer reveals Sulzer holding

BY JOHN WICKS IN ZURICH

DR TITO TETTAMANTI, a Lugano-based lawyer, has revealed his substantial shareholding in Sulzer, the Swiss engineering group which earlier this week took measures to defend itself against stock market predators.

Sulzer shares have more than doubled this year - climbing from SFr2,850 to SFr6,450 - prompting the company to tighten its share registration practices to curb the influence of new shareholders.

It is not known how many shares are controlled by Dr Tettamanti, although unconfirmed reports speak of more than a third.

Sulzer believes the stake is less than 10 per cent. A shareholding of more than 5 per cent would make Dr Tettamanti the biggest single shareholder in the group.

An aide of Dr Tettamanti said yesterday that he was engaged in negotiations aimed at finding a "Swiss solution" to the recently acquired shareholding.

It is also not known to what extent the shares held by Dr Tettamanti and his intermediaries have been entered into the Sulzer register, thus gaining corresponding voting rights.

Dr Tettamanti is best known as the majority shareholder in Fidinam, southern Switzerland's leading trustee firm. However, both Fidinam and Banca della Svizzera Italiana - which holds a minority stake in Fidinam - have said they are unconnected with the Sulzer share purchases.

The group's takeover defence centres on the reduction to just 1,000 in share holdings that can be entered in the share register. The limit had been 3,000 shares, which was reduced from 4,000 in May this year.

Kone rises 13% and reports leap in orders

By Olli Virtanen in Helsinki

KONE, the Finnish lift and materials handling group, has reported a 13 per cent increase in profit before taxes and allocations, to FM54.2m ($12m), for the first eight months of 1987.

The group's net sales increased by 3 per cent to FM3.258bn during the period, which was marked by a number of acquisitions and sales of business units.

Sales of the lift division increased by 16 per cent to FM2.075bn, increasing its share of the total sales from 57 per cent a year ago to 64 per cent. Sales of the materials handling equipment dropped by 7 per cent to FM1.073bn, while the disposal of two units saw instruments slip to FM85m.

Kone, which has suffered from depressed sales during the past 18 months, reports a significant improvement in its order books. The total backlog of orders stood at FM3.959bn at the end of August.

Telex shares rise sharply after $950m Edelman bid

BY JAMES BUCHAN IN NEW YORK

STOCK IN Telex, the volatile US maker of computer peripherals and airline reservation systems, rose sharply in heavy trading yesterday as speculators responded to a $950m offer for the company from Mr Asher Edelman, the aggressive New York investor.

Telex stock jumped $9 to $70 in early trading, comfortably clear of Mr Edelman's offer of $65 a share, unveiled in newspaper advertisements yesterday. Wall Street analysts believe Mr Edelman, who is launching his second hostile bid in a month, will have to improve his terms to capture the Tulsa, Oklahoma, company.

Last month Mr Edelman launched a $217m bid for Rexham, a maker of packaging and packaging machinery based in Charlotte, North Carolina.

Mr Edelman, who has quietly accumulated 7.8 per cent of Telex in the past month, said the company would make a "superb business combination" with Datapoint and Intelogic Trace, his struggling computer and computer service companies based in San Antonio, Texas.

Having bought bought his 1.141m Telex shares at an average cost of $49.50, Mr Edelman is already sitting on a handsome profit on his investment. In the summer, he cleared about $60m in profits from a bold raid on Burlington Industries, the largest US textile company, which took refuge by going private.

Analysts say Telex may be vulnerable to takeover because of its volatile stock market record. The group, which earned $77.2m on revnues of $840.7m in the year to March, traded as high as $100 a share.

But Telex has been badly hit by pressure on prices in its main market for computer terminals. A low earnings forecast for the September quarter caused the stock to tumble into the $40s, when Mr Edelman started buying.

Electronic and milling sides lift Dow Jones

By Our New York Staff

DOW JONES, the US news and business services company which owns the Wall Street Journal, enjoyed a moderate improvement in net profits in the third quarter.

Benefits from electronic services and newsprint milling offset the Journal's small decline in advertising and flat circulation.

Net earnings for the quarter were $36.8m, 11 per cent higher than the $33.1m reported a year earlier. Revenues increased by 7 per cent to $298.6m.

The company said the higher profits for the quarter largely reflected a lower income-tax charge and significant increases in equity earnings from Telerate and the company's newsprint mill affiliates.

Dow Jones bought 5.3m shares of Telerate stock for $203m last month.

Telerate's operations will be fully consolidated with the results of Dow Jones from the fourth quarter onwards.

In addition to Telerate, Dow Jones' other electronics and newswire businesses continued to prosper in the quarter.

However, advertising lineage in the Wall Street Journal, Dow Jones' biggest single property, declined by 8.7 per cent overall and by an average of 2.2 per cent per issue.

E Asiatic (HK) seeks listing

EAST ASIATIC (Hong Kong), a subsidiary of Denmark's East Asiatic Group, is seeking a listing in the British territory, Reuter reports from Hong Kong.

Mr Erik Christensen, managing director, said the company hoped to float shares later this month. Further details would be announced next Tuesday.

East Asiatic's business includes machinery import and distribution, consumer product marketing and shipping.

Strong gain by St-Gobain

BY OUR FINANCIAL STAFF

SAINT-GOBAIN, the big French industrial group best known for its glass production, has reported sharply higher first-half profits and forecast a strong earnings gain for 1987 as a whole.

For the first six months, group turnover improved from FFr37.3bn to FFr38.4bn ($6.3bn). With profit margins widening, operating earnings shot ahead to FFr2.9bn, from the FFr1.7bn achieved for the first half of 1986.

Saint-Gobain, which was state-owned until last December's successful bourse flotation, made a profit of FFr2.05bn, which was sharply up on the FFr1.32bn of 1985.

The group said the improvement in profits over the first half was due to virtually its entire range of industrial activity in Europe. The interim result was underpinned by the good performance of its three main markets.

Goldman Sachs reshapes $300m portfolio

BY BARRY RILEY

GOLDMAN SACHS in Tokyo has in the past few days carried out what is claimed to be the biggest portfolio trade in the Japanese equity market, in reshaping a $300m portfolio as an index fund.

In a single deal involving about $600m of buying and selling in aggregate, Goldman has constructed a portfolio designed to match the Japanese national index, which is part of the FT-Actuaries world index series.

The client is not being named, but is understood to be a large US or UK pension fund.

This kind of so-called "programme" trade is new to Japan. County NatWest Investment Management acted as agent for the trade, selecting Goldman through a competitive tender involving a number of US, UK and Japanese securities firms in Tokyo.

The deal takes the London-based County NatWest into the Japanese index fund market - the company already runs some £2bn of index-matching portfolios in London.

The Japanese fund will be managed by County NatWest according to a system of risk-matched sampling, which will allow the number of individual stocks in the portfolio to be restricted to 265, although the index currently has 458 constituents.

This simplified system will cut costs, but it is claimed the fund will track the index to within a maximum error of ½ per cent a year.

The setting up of this big index fund in Japan can be seen against the background of serious difficulties experienced by international fund managers in recent years in keeping up with the Tokyo equity market.

Most foreign funds have seriously underperformed the Tokyo indices because they have been underweight in domestic sectors such as financials.

In theory, an index fund can avoid such disappointments, although in more favourable conditions it cannot significantly outperform the index either.

WEEKLY PRICE CHANGES

[illegible]

ALUMINIUM

[illegible]

INDICES

REUTERS

[illegible]

DOW JONES

[illegible]

SILVER

Silver was fixed 7.7p an ounce higher for spot delivery in the London bullion market yesterday at 472.6p. US cent equivalents of the fixing levels were: Spot 782c, up 16.8c; three-month 798.2c, up 16.55c; six-month 815.4c, up 17.8c; and 12-month 860.4c, up 18.05c. The metal opened at 471-472½p (777-779c).

[illegible]

COPPER

[illegible]

COFFEE

After opening higher than expected, Robustas eased lower in light conditions, reports Drexel Burnham Lambert. In the afternoon overhead selling kept the market under pressure towards the lower end of the day's range. European trade interest for spot coffee lent support and prevented any further decline.

[illegible]

LEAD

[illegible]

COCOA

Initially a little easier, futures drifted lower in thin volume and closed £10 off on the day. Physicals were largely neglected and only light second-hand interest was noted, reports Gill and Duffus.

[illegible]

NICKEL

[illegible]

ZINC

[illegible]

LONDON METAL EXCHANGE TRADED OPTIONS

[illegible]

FREIGHT FUTURES

[illegible]

TIN

KUALA LUMPUR TIN MARKET—Close: [illegible]

GOLD

[illegible]

GRAINS

[illegible]

MEAT

[illegible]

US MARKETS

IN LIGHT VOLUME crude oil was firm in the November contract on fund and trade buying and, later, local short-covering, reports Drexal Burnham Lambert. The trade was a seller of December. Gold firmed in early trading on follow-through buying and stop-loss buying after Thursday's break but drifted lower on long-liquidation. Silver and platinum were both weak on commission house selling and general pre-weekend book-squaring. Copper firmed on overseas buying which was joined by trade buying as the market once again made new contract highs. Local selling eased coffee but trade buying pared losses. Cocoa fell on speculative selling as the latest US grind figure turned out to be less than expected. The trade was a scale-down buyer. Sugar was quietly steady on speculative and commission house buying but the market finished with pared gains following trade selling. The overnight cotton crop report was interpreted as bearish as commission houses liquidated longs, touching off stop-loss selling in the face of scale-down trade buying before the commission houses turned buyer towards the close. Orange juice rallied sharply to limit-up following publication of a report indicating lower domestic and world stocks and following Brazil's raising of its price.

NEW YORK

ALUMINIUM 40,000 lbs; cents/lbs

	Close	Prev	High	Low
Oct	84.75	83.00	—	—
Nov	84.75	83.00	—	—
Dec	84.75	83.00	85.35	84.50
Jan	82.10	80.35	—	—
March	78.50	77.00	—	—
May	70.50	71.75	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CHICAGO

[illegible]

SUGAR

[illegible]

POTATOES

[illegible]

OIL

[illegible]

SOYABEAN MEAL

[illegible]

GAS OIL FUTURES

[illegible]

RUBBER

[illegible]

WORLD STOCK MARKETS

NEW YORK

[illegible]

WALL STREET

Stocks fall in moderate trading

WALL STREET stocks resumed a downward course in moderate trading. In spite of this week's drop in stock prices institutional buyers were mostly on the sidelines. Traders said portfolio managers were waiting for earnings reports and economic news due next week.

At 1 pm the Dow Jones Industrial Average was up 2.13 at 2,518.77.

IBM fell $2½ to $149. Ford, which fell on Thursday in spite of a dividend increase and stock split, rebounded $1½ to $96. Telex Corp, subject to a bid from Asher Edelman, soared $9⅛ to $70⅛.

CANADA

Toronto stocks declined in brisk trading as golds and energy issues tugged the market lower against advances in mines and industrials.

The composite index dropped 10.70 to 3795.60 as falls outpaced gains by 408 to 285 on volume of 16.9m shares.

Among most active industrials, Woodward's class A firmed C$⅛ to C$⅞. Haley Industries slipped to C$7¾ and Varity Corp advanced 20 cents to C$4.15.

In energy issues, Gulf Canada declined C$⅜ to C$21¼ and Imperial Oil class A fell C$½ to C$75½.

AUSTRALIA

Australian shares closed easier in lacklustre trading as investors took to the sidelines following mixed signals from overseas.

A $3.10 rise in gold prices in New York did little to buoy interest in the mining sector, while industrials were sold following another fall on Wall Street.

At the close, the All Ordinaries index down at 2220.4, the All Industrials index was down 11.4 at 3314.9 and the gold index was down 19.4 at 3774.4. The All Resources index rose 3.7 to 1380.7.

Turnover was a moderate 125.52m shares worth A$234.43m, with rises narrowly outnumbering falls.

Quality industrials and gold-related stocks bore the brunt of selling pressure with light demand for resource scrip pulling the market off its lows.

Transport, insurance, paper and packaging and building stocks were hardest hit. Brambles dropped 30 cents to A$11.50 while 12-cent falls took TNT to A$6.64 and Mayne Nickless to A$6.14. Pioneer Concrete shed 13 to A$4.75, while Boral slipped two to A$6.16.

BTR Nylex slid 20 to A$12.80 while Adsteam climbed 20 to A$10.70.

Resource stocks were generally firmer with the exception of gold stocks which were unable to hold Thursday's gains despite the rise in bullion prices.

TOKYO

Share prices rose slightly to a second straight record closing high, as a little of Thursday's massive buying strength spilled over.

The 225-share price index rose 52.02 points to a record closing 26,338.77. Earlier it rose to an intra-day record of 26,381.73. Declines led advances five to four in turnover of 1.6bn shares.

The advance came despite the negative factors of a weaker dollar and falling local bond prices. House, bank, railway and real estate stocks advanced.

Export-oriented electronics, precision instrument, auto and some manufacturing shares fell on profit-taking sparked by the weakening dollar in Tokyo trade. Pulp/paper and glass/cement shares also fell on profit-taking before the weekend.

Buying strategy is now concentrated on stocks of companies holding large tracts of land which have been sold relentlessly since mid-June. It is believed the land-related shares were bought because they now look cheap compared with the index.

Land-owning firms like those in the railway, real estate, construction, and warehouse sectors continued making gains after the three leading contenders for Japan's premiership showed no desire to break with current public spending policies. These policies are thought likely to drive the value of Japan's land even higher.

Oil stocks firmed on building tension in the Gulf. Pharmaceutical stocks firmed partly due to fresh rumours Ajinomoto had obtained permission to market an anti-AIDS drug in the US, but a company spokesman said that the rumour was untrue. Ajinomoto rose Y170 to Y3,610.

FRANKFURT

Shares prices ended a moderately active bourse with sharp losses, depressed by news the West German coalition Government had agreed to introduce a 10 per cent tax on investment earnings.

The Commerzbank index dropped 43.4 points or 2.19 per cent to 1,936.6.

The Boersen-Zeitung 30-share index, slumped to 397.62 at the close from 402.30 at the opening.

The financial sector was hit hardest. Deutsche Bank plunged DM 28.50 to DM 667. Dresdner dropped DM 14 to DM 348. Commerzbank lost DM 11.50 to DM 290.50, Bayernversein she DM 20 to DM 470, Bayernhypo dropped DM 23 to DM 500 and BHF sunk DM 15 to DM 473.

Cars lost heavily. Daimler was down to DM 1,000. VW shed DM 17 to DM 354, BMW lost DM 22 to DM 712 and Porsche dropped DM 40 to DM 900.

BRUSSELS

Belgian shares finished mainly lower after a quiet day's trading.

Operators are nervous ahead of Tuesday's start of the new session of the Belgian parliament whih could see the centre-right government under pressure over its handling of a dispute between French- and Dutch-speakers.

Among holdings, Reserve edged higher to BFr 3,565 but GBL fell to BFr 3,960, Sidro down to BFr 2,520, Sofina to BFr 14,225 and Cobepa to BFr 6,150.

Chemicals were mainly marginally lower, but Mosane dipped BFr 30 to BFr 1,220 Petrofina edged up BFr 59 to BFr 12,825. Banks and insurers were mainly steady.

HONG KONG

Share prices closed sharply lower in hectic trading on speculation of an imminent increase in local interest rates.

The Hang Seng index lost 53.71 points to end the day at 3,882.42, after initially rising 17 points.

The Hong Kong Association of Banks is widely expected to raise local interest rates at its weekly meeting today, after the increase in US prime rates.

The speculation provided a convenient excuse for investors to take profit. It was thought that the market needed some adjustment after its recent strong gains.

The Hong Kong index lost 34.94 to 2,574.15. Turnover was HK$3.45bn.

Among the blue chips, HK Land gained 15 cents to HK$9.60 on speculative buying while HK-TVB gained 40 to HK$17.00. Cheung Kong and Jardine Matheson lost 30 each to HK$13.10 and HK$22.50, Hutchison and Swire "A" 50 to HK$15.20 and HK$27.10, and Sun Hung Kai Properties 60 to HK$19.30.

China Light fell to HK$29.20 following news that construction work was suspended at the Daya Bay nuclear power plant, in which the company is a joint venture partner with China's Guangdong province.

SINGAPORE

Share prices closed generally higher on some short-covering and light bargain hunting in fairly moderate trading.

At the close, gains led losses by about three to one but price changes were mostly small. The Straits Time industrial index rose 2.35 points to 1,454.30 and turnover increased to 22.8m shares.

With the absence of fresh market-moving factors, most institutional investors moved to the sidelines awaiting the Malaysian budget announcement due later this month.

Closing prices for North America were not available for this edition.

CANADA

October 8	Price Can. $	+ or −
Abitibi	33½	−¼
Abitibi Res	0.20	.....
AMCA Intl	12½	.....
Agnico Eagle	35½	+½
Alberta Energy	20¼	−½
Alcan Aluminium	45½	−1¼
Algoma Steel	22	+¼
Bank Montreal	29⅝	−⅛
Bank Nova Scotia	14⅛	.....
Can Cement Pf	19½	−¼
Can NW Energy	26½	−¼
Can Packers	15¼	+½
Can Trusco	71	.....
Can Imp Bank	19¾	−¼
Can Pacific	27⅛	−¼
Can Tire A	14⅞	+¼
Can For	35¼	+¼
Chieftain	13¼	+¼
Cominco	21⅛	−½
Conigas Mines	4⅞	−⅛
Dome Petroleum	1.10	.....
Domtar	20⅝	−⅝
Falconbridge	29¼	−⅛
Fed. Inds. A	16	−⅛
Geostis Inds. A	16⅜	−⅜
Giant Y'knife	33¼	+½
Gulf Canada Res	21⅝	−⅝
Hawker Sid Can	26⅝	−⅞
Hudson's Bay	23	.....
Imasco	31¼	−⅛
Macmillan Bloedel	30¼	.....
Magna Intl	18⅝	−¼
McIntyre Mines	60	.....
Metall Mining	16	+⅝
Mitel Corporation	5⅞	.....
Molson Cl A	23½	−1⅛
Moore Corp	30½	−½
Nat. Bk. of Canada	12⅛	−⅝
NBS	23⅞	−⅛
Nat. Sea Products	22½	.....
Noranda Mines	34¼	.....
Ranger Oil	6¼	+¼
Reed Stenh'se A	36	+1
Repap Ent	19⅛	+⅛
Royal Bank	31⅛	−⅜
Royal Trust A	15¼	.....
Sceptre Res	5.12	−0.13
Seagram	94⅞	−1¼
Sears Can Inc	10½	−½
Shell Canada Oil	41½	.....
SHI Systemhouse	30⅝	+⅛
Stelco	26	−⅞
[illegible]	[illegible]	[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

Indices

NEW YORK DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

TRADING ACTIVITY

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

FOREIGN EXCHANGES

Dollar continues to fall

THE DOLLAR continued to lose ground yesterday. Sentiment remained distinctly bearish and even though there was little incentive to trade ahead of the weekend and next week's US trade figures, most speculators were expecting a lower dollar.

News of the clash between US and Iranian forces in the Gulf would normally have provided underlying support for the US unit but this was not the case yesterday, highlighting the dollar's vulnerability.

Wednesday's increase in US prime rates, largely viewed as a catching up process, failed to provide any real support partly because there were real fears that West German and Japanese central banks might increase their discount rates.

However comments by Mr James Baker, US Treasury Secretary, suggesting that a rise in rates now might remove the need for more drastic action at a later date kept traders nervous and most people were convinced that the US discount rate would be increased. However the dollar was still below Thursday's closing levels, finishing at DM 1.8135, compared with DM 1.8225; FFr 6.0425 against FFr 6.0675; SFr 1.5080 compared with SFr 1.5185; and Y143.80 against Y144.90.

On Bank of England figures the dollar's index fell to 100.9 from 101.3.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. September average $1.6456. Exchange rate index finished at 73.3, unchanged from the opening and last night's close. The six months ago figure was 72.4.

Sterling remained confined to a narrow band against the D-Mark because speculators again were reluctant to test the Bank of England and its apparent determination to defend the DM 3.00 level. UK inflation figures were in line with expectations and had little effect.

The pound gained 85 points to $1.6505-1.6515 and rose to DM 2.9950 from DM 2.9925, and to FFr 9.9750 from FFr 9.9650, but fell to SFr 2.49 from SFr 2.4950, and to Y237.50 from Y238.00.

D-MARK—Trading range against the dollar in 1987 is 1.9395 to 1.7690. September average 1.8122. Exchange rate index 156.5 against 146.3 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8121 compared with DM 1.8227 on Thursday. There was little incentive to trade ahead of next week's trade figures and dealers were still convinced that the dollar was due for a further decline, despite the recent rise in US interest rates.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. September average 143.19. Exchange rate index 228.9 against 228.0 six months ago.

Trading remained quiet in Tokyo ahead of the weekend. Dealers were reluctant to take out fresh positions until the release next Wednesday of US trade figures. The dollar closed at Y144.40 compared with Y144.40 in New York and Y145.20 in Tokyo on Thursday.

There was also uncertainty about the possibility of the US or Japanese authorities increasing their discount rates. The dollar touched a low of Y143.95 but attracted good demand at this level.

£ IN NEW YORK

Oct. 9	Latest	Previous Close
£ Spot	1.6510-1.6520	1.6480-1.6490
1 month	0.29-0.27pm	0.30-0.29pm
3 months	0.60-0.56pm	0.66-0.63pm
12 months	1.80-1.70pm	2.10-2.25pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 9	Previous
8.30 am	73.3	73.3
9.00 am	73.3	73.2
10.00 am	73.3	73.3
11.00 am	73.3	73.3
Noon	73.4	73.3
1.00 pm	73.3	73.3
2.00 pm	73.4	73.3
3.00 pm	73.4	73.3
4.00 pm	73.3	73.3

CURRENCY RATES

Oct. 9	Bank rate %	Special * Drawing Rights	European Currency Unit
Sterling	—	N/A	0.693674
U.S. Dollar	6	"	1.14521
Canadian $	8.75	"	1.49931
Austrian Sch.	4	N/A	14.6175
Belgian Franc	7¼	"	43.1830
Danish Krone	7	"	7.97181
Deutsche Mark	3	"	2.07741
Neth. Guilder	4½	"	2.33783
French Franc	9½	"	6.91879
Italian Lira	12	"	1499.20
Japanese Yen	2½	"	164.681
Norway Krone	8	"	7.59675
Spanish Peseta	—	"	137.883
Swedish Krona	7½	"	7.29900
Swiss Franc	3.5	"	1.72693
Greek Drach.	20½	"	159.516
Irish Punt	—	"	0.773791

* C$/SDR rate for Oct. 8; 1.67660.

CURRENCY MOVEMENTS

Oct. 9	Bank of England Index	Morgan Guaranty* Changes %
Sterling	73.3	−20.1
U.S. Dollar	100.9	−6.3
Canadian Dollar	79.1	−9.0
Austrian Schilling	137.3	+10.0
Belgian Franc	99.6	−4.9
Danish Krone	91.0	+1.2
Deutsche Mark	146.5	+21.4
Swiss Franc	171.9	+22.1
Guilder	134.8	+14.3
French Franc	71.5	−13.0
Lira	47.2	−18.2
Yen	220.9	+64.7

Morgan Guaranty changes, average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Oct. 9	£	$
Argentina	4.5540-4.5755	2.7575-2.7690
Australia	2.2810-2.2840	1.3820-1.3830
Brazil	85.850-85.310	51.980-52.241
Finland	7.1970-7.2095	4.3610-4.3630
Greece	227.90-231.85	138.35-140.65
Hong Kong	12.8400-12.8600	7.8075-7.8085
Iran	117.60*	71.20*
Korea(Sth)	1306.85-1318.65	802.70-809.30
Kuwait	0.46530-0.46570	0.28175-0.28185
Luxembourg	62.30-62.40	37.70-37.80
Malaysia	4.1750-4.1820	2.5360-2.5370
Mexico	2627.65-2632.10	1591.00-1593.00
N. Zealand	2.4930-2.4980	1.5095-1.5115
Saudi Ar.	6.1930-6.1985	3.7500-3.7510
Singapore	3.4510-3.4560	2.0935-2.0950
S. Af. (Cm)	3.3795-3.3955	2.0525-2.0565
S. Af. (Fn)	5.4160-5.5995	3.2785-3.3895
Taiwan	49.35-49.55	29.95-30.05
U.A.E.	6.0650-6.0705	3.6725-3.6735

*Selling rate.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 8	Day's spread	Close	One month	p.a.	Three months	% p.a.
US	1.6460−1.6520	1.6505−1.6515	0.30−0.27 cpm	2.07	0.61−0.57 pm	1.43
Canada	2.1502−2.1630	2.1545−2.1555	0.09dis-Par	−0.25	0.28−0.43 pm	−0.66
Netherlands	3.36½−3.37½	3.36½−3.37½	1⅛−1¼ c pm	4.67	2⅝−2⅜ pm	2.97
Belgium	62.11−62.52	62.30−62.40	20−16 c pm	3.46	55−50 pm	3.37
Denmark	11.47¾−11.51½	11.50¼−11.51¼	½ pm-¼ ore dis	0.39	¼ pm−½ dis	−0.13
Ireland	1.1125−1.1185	1.1155−1.1165	0.13−0.08 c pm	1.13	0.45−0.25 pm	1.25
W. Germany	2.99−3.00	2.99−3.00	1⅝−1⅛ pf pm	6.01	4⅛−3¾ pm	5.26
Portugal	236.02−200.84	198.81−200.83	39-102c dis	−3.77	156−246 c dis	−3.40
Spain	198.81−200.84	198.81−200.83	4-39 c dis	−1.29	86−138 dis	−2.24
Italy	2157½−2164¼	2163¼−2164¼	1-5lire dis	−1.66	9−16 dis	−2.03
Norway	10.93¾−10.97½	10.95½−10.90½	3⅛−3¾ ore dis	−3.90	9−9⅝dis	−3.40
France	9.96½−9.98¼	9.97−9.98	2-1½ c pm	2.11	4⅛-3⅝ pm	1.50
Sweden	10.50−10.54¼	10.52½−10.53½	1⅛−⅝ ore pm	1.00	2⅛−1½ pm	0.69
Japan	237−238	237−238	1¼−1⅛ y pm	6.00	3¼−3 pm	5.26
Austria	21.06−21.14	21.06−21.09	10⅞−9¾ c pm	5.52	28½-26½ pm	5.22
Switzerland	2.48½−2.49½	2.48½−2.49½	1½−1¼ c pm	6.63	3⅝-3⅜ pm	5.62

Belgian rate is for convertible francs. Financial franc 62.45−62.55. Six-month forward dollar 1.17−1.12 c pm. 12-month 1.85−1.75 pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6460-1.6520	1.6505-1.6515	0.30-0.27c pm	2.07	0.61-0.57pm	1.43
Ireland†	1.4768-1.4815	1.4785-1.4795	0.08-0.03c pm	0.45	0.21-0.11c pm	0.43
Canada	1.3055-1.3090	1.3060-1.3070	0.20-0.23c dis	−1.97	0.43-0.46 dis	−1.36
Netherlands	2.0380-2.0460	2.0405-2.0415	0.46-0.43c pm	2.62	1.46-1.44pm	2.84
Belgium	37.60-37.80	37.70-37.80	5.00-4.00c pm	1.43	19.00-17.00pm	1.91
Denmark	6.95-6.98	6.96¼-6.97¼	0.30-1.00ore dis	−1.12	1.25-1.95 dis	−0.92
W. Germany	1.8105-1.8190	1.8130-1.8140	0.60-0.57pf pm	3.87	1.75-1.70pm	3.80
Portugal	143¼-143¾	143½-143¾	40-90c dis	−5.44	125-325 dis	−6.28
Spain	120.30-120.80	120.50-120.60	20-50c dis	−3.48	90-130 dis	−3.65
Italy	1307-1312	1310¼-1310¾	3.30-4.80lire dis	−3.71	11.00-12.50dis	−3.59
Norway	6.62¼-6.64¼	6.63½-6.64	3.20-3.55ore dis	−6.09	8.35-8.75dis	−5.15
France	6.03½-6.05½	6.04-6.04½	0.05-0.05c pm	0.10	0.15-0.05pm	0.07
Sweden	6.37-6.38	6.37½-6.38	0.40-0.70ore dis	−1.03	1.00-1.40 dis	−0.75
Japan	143.55-144.45	143.75-143.85	0.49-0.46y pm	3.96	1.41-1.36 pm	3.85
Austria	12.74¾-12.78¾	12.77¼-12.77¾	4.00-3.00gro pm	3.29	13.00-11.00pm	3.76
Switzerland	1.5055-1.5140	1.5075-1.5085	0.58-0.55c pm	4.49	1.61-1.56 pm	4.20

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.80-37.90

EURO-CURRENCY INTEREST RATES

Oct. 9	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9⅞-9⅛	9⅞-9⅝	9 13/16-9 11/16	10 3/16-10⅛	10½-10⅜	10¾-10⅝
U.S. Dollar	7½-7⅜	7 5/16-7 3/16	7 13/16-7 11/16	8 13/16-8 11/16	9-8⅞	9 5/16-9 3/16
Can. Dollar	N/A	9⅜-9¼	9½-9¼	10⅛-9⅞	10½-10¼	11-10⅞
D. Guilder	N/A	5⅜-5¼	5½-5⅜	6-5⅞	6-5⅞	6⅛-6
Sw. Franc	N/A	2¼-2	3⅝-3½	3 13/16-3 11/16	3 13/16-3 11/16	3 13/16-3 11/16
Deutschmark	N/A	3 13/16-3 11/16	4⅛-4	4 11/16-4 9/16	5 1/16-4 15/16	5⅛-5⅛
Fr. Franc	7⅝-7½	7 11/16-7⅝	7 13/16-7 11/16	8 5/16-8¼	9-8⅞	9 5/16-9 3/16
Italian Lire	11⅛-9⅛	11-10	12-11¼	12⅛-12⅛	12⅞-12½	13⅛-13⅛
B. Fr. (Fin.)	6½-6¼	6½-6⅜	6 5/16-6 3/16	6¾-6⅝	7 5/16-7 3/16	7⅞-7½
B. Fr. (Con.)	6½-6¼	6⅝-6¼	7-6⅞	7-6⅞	7⅛-7	7⅞-7⅝
Yen	N/A	3 13/16-3⅝	4 3/16-4⅛	5-4 13/16	5 3/16-5⅛	5 5/16-5⅛
D. Krone	9⅝-9⅛	9⅞-9⅝	9⅝-9⅛	9⅞-9⅝	10¼-9⅞	9⅞-9⅛
Asian $Sing	N/a	7⅝-7½	7⅞-7⅝	8 13/16-8 11/16	9-8⅞	9⅞-9⅛

Long-term Eurodollars: Two years 9⅞-9⅝ per cent; three years 10⅛-10 per cent; four years 10½-10⅛ per cent; five years 10½-10¼ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct. 9	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.651	2.995	237.5	9.975	2.490	3.370	2164.	2.155	62.35
$	0.606	1.	1.814	143.8	6.043	1.508	2.041	1311.	1.305	37.75
DM	0.334	0.551	1.	79.30	3.331	0.831	1.125	722.5	0.720	20.82
YEN	4.211	6.952	12.61	1000.	42.00	10.48	14.19	9111.	9.074	262.5
F Fr.	1.003	1.655	3.003	238.1	10.00	2.496	3.378	2169.	2.160	62.51
S Fr.	0.402	0.663	1.203	95.38	4.006	1.	1.353	869.	0.865	25.04
H Fl.	0.297	0.490	0.889	70.47	2.960	0.739	1.	642.1	0.639	18.50
Lira	0.462	0.763	1.384	109.8	4.610	1.151	1.557	1000.	0.996	28.82
C $	0.464	0.766	1.390	110.2	4.629	1.155	1.564	1004.	1.	28.93
B Fr.	1.604	2.648	4.804	380.9	16.00	3.994	5.405	3470.	3.456	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

MONEY MARKETS

UK rates slightly firmer

INTEREST RATES were a little higher where changed in London yesterday as Euro-dollar interest rates continued to firm. However, there appeared to be little prospect of any rise in UK clearing bank base rates, firstly because the late rise was seen as pre-empting the recent increase in rates elsewhere and also because the Bank of England was considered to have its hands full keeping a lid on the pound without the added attraction of higher rates.

UK clearing bank base lending rate 10 per cent since August 7

Three-month interbank money was quoted at 10 3/16-10 1/16 per cent from 10¼-10⅛ per cent. Weekend money opened at 9¾ per cent which proved to be the day's high and slipped away to a low of 2 per cent before finishing at 3-4 per cent.

The Bank of England forecast a shortage of around £300m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £491m and a rise in the note circulation of £295m. These were partly offset by Exchequer transactions which added £375m and banks' balances brought forward £110m above target.

The Bank gave assistance in the morning of £92m through outright purchases of eligible bank bills in band 4 at 9⅞ per cent. The forecast was revised to a shortage of around £250m before taking into account the morning help and the Bank gave additional assistance of £52m through outright purchases of £52m of eligible bank bills in band 4 at 9⅞ per cent. Late help came to £75m, making a total of £219m.

The average rate of discount rose slightly at the weekly Treasury bills tender to 9.7708 per cent from 9.7467 per cent, as interbank rates stayed steady to firm. The £100m of bills on offer attracted bids of £962.25m compared with £909m for a similar amount the previous week and all bills on offer were allocated.

The minimum accepted bid was £97.55 against £97.57 and was met as to about 25 per cent and above in full compared with 88 per cent the week before.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 9) 3 months U.S. dollars		6 months U.S. dollars	
bid 8 11/16	offer 8 13/16	bid 8⅞	offer 9

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)

Prime rate	9¼
Broker loan rate	8¼-9
Fed. funds	7 5/16
Fed funds at intervention	7½

Treasury Bills and Bonds			
One month	6.32	Three year	9.19
Two month	6.50	Four year	9.41
Three month	6.90	Five year	9.52
Six month	7.66	Seven year	9.74
One year	8.19	10 year	9.87
Two year	8.94	30 year	9.91

October 9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.75-3.85	3.95-4.10	3.95-4.10	4.55-4.70	4.65-4.80	5.0
Paris	7 9/16-7 11/16	7⅝-7¾	7 13/16-7 15/16	8 3/16-8 5/16	8½-8⅝	7½
Zurich	⅞-1⅛	3¼-3½	—	3¼-3½	—	—
Amsterdam	5 7/16-5 9/16	5 7/16-5 9/16	—	5 13/16-5 15/16	—	—
Tokyo	3.34375	3.78125	—	N/A	—	—
Milan	10⅝-11⅛	10¼-11¼	—	11¼-12¼	—	—
Brussels	7.50	6⅜-6½	—	6⅝-6¾	—	—
Dublin	8⅝-8⅞	8⅞-9⅛	9−9¼	9¼−9½	9⅝−9⅞	—

LONDON MONEY RATES

October 9	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9¾-2	9 13/16-9 11/16	9 13/16-9 11/16	10 3/16-10 1/16	10 5/16-10⅛	10¾-10 5/16
Sterling CDs	—	—	9⅝-9¼	10¼-10⅛	10⅜-10 5/16	10½-10⅜
Local Auth'rity Deps.	9½	9 13/16	9⅞	10¼	10 7/16	10⅝
Local Authority Bonds	—	—	10	10 5/16	10½	10⅝
Discount Mkt Deps.	9⅝-7	9⅝-9⅞	9 13/16	9⅞	—	—
Company Deposits	—	—	10	10⅛	10½	10¾
Finance House Deposits	—	—	9⅞	10⅛	10½	10⅝
Treasury Bills (Buy)	—	—	9¾	9⅞	—	—
Bank Bills (Buy)	—	—	9 15/16	9 15/16	10	—
Fine Trade Bills (Buy)	—	—	10 11/16	10 11/16	10⅝	—
Dollar CDs	—	—	7.90−7.85	8.75-8.70	8.95-8.90	9.25-9.20
SDR Linked Deposits	—	—	6½-6¼	7 1/16-6 15/16	7¼-7	7½-7¼
ECU Linked Deposits	—	—	7 1/16-6 15/16	7¾-7⅝	7⅞-7¾	8-7⅞

Treasury Bills (sell); one-month 9 11/16 per cent; three-months 9¾ per cent; Bank Bills (sell); one-month 9 31/32 per cent; three months 9 31/32 per cent; Treasury Bills: Average tender rate of discount 9.7708 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1987. Agreed rates for period October 26 to November 24 1987, Scheme I: 11.42 p.c., Schemes II & III: 11.47 p.c. Reference rate for period August 29 to September 30, 1987, Scheme IV: 10.219p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ per cent from October 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¼ per cent; three-six months 10 per cent; six-nine months 10¼ per cent; nine-12 months 10⅜ per cent; Under £100,000 8 per cent from September 15, Deposits withdrawn for cash 5 per cent.

Modest falls as equity account ends

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2
Oct 26	Nov 5	Nov 6	Nov 16

* New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Oct. 9	Oct. 8	Oct. 7	Oct. 6	Oct. 5	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	85.49	85.68	85.65	85.74	85.86	83.68	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.20	91.88	91.90	91.88	91.76	89.84	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1858.2	1866.9	1853.5	1858.3	1873.7	1265.4	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	449.5	445.8	450.4	444.6	439.6	319.3	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.17	3.15	3.17	3.16	3.14	4.40				
Earnings Yld.%(full)	7.78	7.73	7.78	7.76	7.70	10.10				
P/E Ratio (net) (*)	15.72	15.82	15.72	15.78	15.89	12.14				
SEAQ Bargains (5 pm)	52,356	42,163	36,404	37,443	44,261	—				
Equity Turnover (£m)	—	1812.88	1615.08	1811.44	1658.21	685.31				
Equity Bargains	—	51,240	39,660	45,596	54,153	57,361				
Shares Traded (ml)	—	625.5	508.1	559.3	681.4	348.0				

S.E. ACTIVITY

Indices	Oct. 8	Oct. 7
Gilt Edged Bargains	104.9	101.1
Equity Bargains	332.0	257.0
Equity Value	3664.3	3264.5
5-Day Average		
Gilt Edged Bargains	101.8	102.7
Equity Bargains	301.4	291.4
Equity Value	3409.0	3390.0

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1861.7	1861.7	1857.8	1857.0	1855.3	1851.1	1846.4	1858.7

Day's High 1862.6 Day's Low 1846.3. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. SE Activity 15.67 * Nil=15.50.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

The contest between bearish trends on Wall Street and optimism regarding the UK economy continued in the London securities markets yesterday, when share prices again rallied substantially from early losses, albeit in sluggish turnover. The latest UK Retail Price Index (RPI) was regarded as neutral in terms of inflation concerns, although Index-linked Government bonds dipped by a full point. Conventional Gilts paid more heed to the progress of the US bond market, and eased very slightly during the session.

The stock market opened lower in the wake of Wall Street's overnight fall of 34 points, and slipped back on nervous selling to show a net fall of 28 FT-SE points at mid-session. But prices recovered quickly as the market moved into the new trading account period at 3.30 pm, and by the close the fall in the FT-SE 100 index had been reuced to a net nine points at 2366.5. The FT Ordinary was 8.7 down at 1858.2.

Investors continued to respond to the confidence in the British economy expressed at the Conservative Party Conference by the UK Chancellor of the Exchequer. The stock markets closed confidently awaiting the first reports of Mrs Thatcher's speech to the Conference.

The modest 0.3 per cent rise in retail prices in September, putting the year-on-year gain at 4.2 per cent against 4.4 per cent in August, strengthened City belief that inflation will stay relatively low in the UK. Markets now have a fairly clear economic horizon until the end of the month when the latest UK trade figures are due.

BAT Industries closed lower on rumours that a major purchase in the US would be announced shortly. Among the other major sectors, oil shares ended a shade lower, reflecting some slight nervousness over the outlook for world crude prices. It is this factor which causes some UK analysts to view the next month's £7.5bn British Petroleum privatisation sale with some caution.

There were minor losses elsewhere in the blue chip list. Shares in Glaxo eased ahead of the annual results, due on Monday. City forecasts for Glaxo, held by most international funds, range fairly widely, because the pharmaceutical group has a large cash portfolio on which the yield can only be guessed.

Wellcome came under pressure again as investors weighed the prospects for Retrovir, the group's ant-AIDS drug. **Fisons** gave back a few pence of the recent rise.

The speculative sector quietened down as profits were taken in the absence of new developments. **Reed International** saw buyers at first but had lost support before the close.

Bank stocks were generally quiet but the insurance sector continued to move higher. **Prudential** and **Legal and General** provided the best features as investors again shrugged off the implications for earnings of higher interest rates in the US.

Government bonds had a successful session, bouncing bacgk twice after touching new bottoms on the analysts' charts. Some small selling by market traders was balanced by signs of institutional support.

The fallin Index-linked Gilts reflected very little selling but implied unwillingness to hold these securities, now that inflation worries seem to have receded.

The major clearing banks encountered end-Account offerings and finished with moderate falls. **Midland**, however, surrounded by takeover rumours recently, were a steady market helped to a certain extent by new time demand and closed a penny dearer at 549p.

Takeover speculation continued apace in the Merchant Banking sector with **Kleinwort** forging ahead on stake building rumours to close 29 higher at 640p. Larry Adler's **FAI Insurance** and **Nomura** were the names mentioned as possible stake buyers. **S. G. Warburg** also attracted keen buying interest and rose 28 to 570p, while **Morgan Grenfell** put on 9 to 589p.

Life Insurance performed in similar vein to Merchant Banks with takeover speculation rife in the wake of Du Midi's successful bid for Equity and Law. Mr Ron Brierley's IEP Securities, which realised a sizeable profit in selling its stake in Equity and Law to Du Midi, is rumoured to be casting its eye over other potential takeover targets in the Life Insurance sector. **Legal and General**, up 18 at 385p, and **Sun Life**, ⅛ higher at £13, were two possibilities mentioned, but **Britannic** were also favoured and rose ¼ to £13. Among Lloyds brokers, **Willis Faber** rose 3 to 418p on speculative buying.

Features were hard to find in the Brewery sector. Leading issues drifted lower in a thin trade before firming late and ending with scant alteration on balance. Regionals continued to highlight **Boddington**, which concluded an impressive week showing a fresh rise of 4 to 167p. Investor enthusiasm for the stock was aroused by a recommendation that the shares were cheap at around last Monday's 143p level. **Merrydown**, a long-established bid favourite, gained 12 to 453p.

Leading Buildings were irregular, **Blue Circle** encountered end-Account offerings and eased to 472p before late support left the price only 4 cheaper on balance at 478p. **Redland** attracted sporadic demand at 530p, up 3, while **BPB Industries**, following favourable comment on the company's £150m development programme, part of which is overseas, added 5 to 345p. **CRH** still responding to the acquisition Big River Industries of the US for US$22m, gained 5 more to 200p, a two-day rise of 17. Among the second liners, Ruberoid, a dull market on Thursday after revealing uninspiring results, rebounded strongly on thoughts that the company could be vulnerable to a bid and the price closed 14 higher at 177p. Takeover speculation was good for a rise of 13 to 366p in **Marshalls (Halifax)**, while Press comment boosted **Robert M. Douglas** 12 to 272p. Profit-taking left **Stanley Miller** 5 off at 121p, but **Walter Lawrence** edged up a penny to 183p ahead of next Tuesday's half-timer.

The possibility of increased consumer spending gave retailing issues a further boost. **Burton** maintained the ascendency, drawing fresh institutional support and closing 7 up at 315p for a five-day advance of 23; the group is actively promoting its image in the US. **Dixons** was another to make headway, gaining 6 to 398p, but other sector leaders drifted down before rallying late. **Storehouse** fell victim to end-Account profit-taking and touched 396p prior to settling at 406p. Secondary Stores went better across the board rather more on private investor buying interest. **Shares Drug** rose 15 to 315p, **Gabicci** improved 9 more to 220p and **Mallett** 15 to 215p. Still influenced by sharply increased interim profits, **Debfor** jumped 15 more to take the week's gain to 48 at 470p. An investment recommendation lifted **Jacques Vert** 10 to 460p, but end-Account selling brought **Lloyds Chemists** back 8 to 217p. **Excutex** were also dull at 168p, down 9.

Empire Stores suffered a relapse but it was short-lived movement. After falling to 264p the shares rebounded after-hours to end little changed at 284p.

A none too inspiring Press article brought the good run in **Plessey** to an end, although the shares ended above the lowest at 221p, down 5. **Racal Electronics** was another to fall from grace, reacting 9 to 330p while **STC** gave back some of the recent gain at 315p. Troubled **IBL** dropped after details of the agreed offer from Swiss group Inspectorate International. Through a subsidiary it is offering 41p clean for each IBL share and in the marketplace IBL dipped to that level before settling at 42p for a loss of 19 on the day. **Quest** continued the fall since returning for suspension earlier in the week, closing 3 lower at 167p. **Crystalate** again benefited from bid speculation and added 6 further at 279p, a rise on the week of 34. **Sound Diffusion** picked up 4 at 71½p.

Engineers provided several noteworthy movements. **Asir and Lacy**, still responding to the satisfactory half-year results, advanced afresh to close 20 higher at 725p. **James Neill** moved up 12 to 288p in belated reponse to recent US acquisition news, while **Victor Products**, reflecting the announcement that NE1 had increased its stake in the company to 17.89 per cent, rose 12 to 170p. Further speculative demand left **Woodhouse and Rixson** 6 dearer at 139p. **Crenite**, also the subject of speculative activity, improved 8 to 92p. **Tace**, recently the subject of newsletter comment, encountered profit-taking and gave up 10 to 440p.

ASDA-MFI alone resisted an easier trend among Foods, improving a few pence to 203p on hopes that the sale of Allied Carpets would be announced shortly; the group sold its MFI businesses to management on Monday. Other leaders tended to recoup or reduce their losses late in the session.

Completion of the Jim Dandy Co Inc acquisition made hardly any difference to **Grand Metropolitan**, at 587p, while **Trusthouse Forte** gathered upward momentum late to end slightly higher on balance at 282½p.

Wellcome came under fresh selling pressure in the wake of a warning from Nomura Securities to clients of possible US legislation which would radically alter the present right of exclusivity enjoyed under the "Orphan Drug Act" and would have a major impact on the company's Aids drug Retrovir. The Wellcome share price fell away sharply to close 14 lower at 530p. **Fisons** a rising market earlier in the week following the announcement of a new anti-Aids drug Pentamidine, designated by the US Food and Drug Administration as an orphan drug, reacted to 369p at one stage before recovering to finish only a penny easier on the day at 379p.

Elsewhere in the Pharmaceutical issues, **Glaxo** drifted back ⅛ to £17 ahead of Monday's eagerly awaited preliminary figures, analysts forecasts range from £790m to around £800m for the year. **Beecham**, down to 561p initially, rallied to close only 3 off on balance at 567p.

Metsec featured a gain of 43 at 203p in response to favourable Press comment. Furniture shares, heled by recent good figures from Parker Knoll, met with further occasional buying interest. **Minty** moved up 50 to 650p in a restricted market, while **R. W. Toothill** put on 10 to 410p. **Bridport Gundry** improved a few pence to 296p in the wake of the announcement that Charterhall has increased its stake to 9.09 per cent. **Johnston Group**, in contrast, remained an unsettled market following the disappointing half-year results and eased 5 to 555p.

Brent Walker excelled in the Leisure sector, rising 17 to 420p in reply to the excellent interim results; the company stated that its operation at Le Touquet, which is acquired last March, had exceeded all expectations. Among television issues, **Scottish TV** settled 9 lower at 580p following the half-year figures, but **TV-am** improved 7 to 396p.

A flurry of excitement followed the Avis Europe share-exchange offer for Motor Distributor **C. D. Bramall**. The bid, which is recommended by the Bramall board, lifted the shares 112 to 660p and touched off speculative buying of many other stocks. **Caffyns** spurted 20 to 558p, **H. & J. Quick** rose 20 to 405p and **Appleyard** advanced 18 to 518p. **Lex Service** also responded strongly with a gain of 24 to 539p; Mike Newman at Chase Manhattan Securities reckons the shares have a break-up value of around 750p with the US Schweber business worth some £200m sterling.

End Account profit-taking clipped 6 from **United Newspapers** at 649p but **Mil Research** firmed 8 to 268p in response to satisfactory half-year figures, while **Delyn** were outstanding at 145p, up 15.

Property shares presented a mixed appearance after a relatively firm and active week's trading. Mr Tony Clegg's **Mountleigh** featured a rise of 21 at 285p in response to news of the proposed acquisition of Galerias Preciados claimed to be the second largest department store in Spain. Comment on the figures enlivened interest in **London and Edinburgh** which firmed 9 to 203p, while demand revived for **Kentish Property**, up 6 at 291p. Buying for "new-time" left **Dares Estates** a shade formed at 71p. **Citygrove** were also noteworthy for an improvement of 20 at 355p.

P & O, unsettled by the verdict of unlawful killing reached by the jury at the inquest into the Herald of Free Enterprise car ferry tragedy, reacted to close 14 lower at 703p.

Among the occasional gains in Textiles, **Tomkinsons** encountered further support and put on 30 further to 600p. **J. Beales** were also outstanding at 393p, up 18 in the wake of occasional buying interest, while **Coxmore** hardened a few pence to 175p in the wake of acquisition news.

Wall Street's overnight reaction made for drab conditions in the Oil sector and prices continued to drift on Opec uncertainties. The latest flare-up in the Gulf with the Iranians and the US exchanging fire, made no apparent impact on prices. **British Petroleum** eased to 361p prior to closing 4 cheaper at 363p, while **Shell** settled a shade lower at £13½. **Enterprise** gave up 5½ at 317p, while **Burmah** dipped 9 to 543p. Moving sharply against the trend, **Tricentrol** attracted considerable support on bid speculation and rose 9½ to 146p. **Cluff** gained 9 to 147p following the half-year figures and statement on mining development prospects. **BOM Holdings** added 2 to 23p following the half-year trading statement.

Traded option activity waned with the total number of contracts transacted falling to 38,835, comprising 25,088 calls and 13,747 puts. **British Airways** attracted 2,245 calls—1,517 in the January 220s. **Lonrho** registered 2,139 calls and 269 puts.

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*432)	390	45	55	66	2	6	12
	420	18	35	47	4	18	25
	460	2	17	27	33	42	45
Brit. Airways (*228)	200	29	38	47	1	7	10
	220	11	25	34	5	14	22
	240	2½	15	21	15	25	32
Brit. & Comm. (*527)	460	70	85	92	2	6	9
	500	30	55	70	4	12	20
	550	2½	28	45	28	35	45
B.P. (*363)	330	35	51	59	1	7	12
	360	12	30	40	5	16	24
	390	½	17	27	28	34	41
Bass (*957)	950	25	65	88	10	40	52
	1000	6	40	65	45	67	75
	1050	1½	22	45	90	100	105
Cons. Gold (*1438)	1400	57	150	190	13	75	110
	1450	20	125	170	27	100	140
	1500	8	105	150	75	135	170
Courtaulds (*513)	460	56	70	94	0½	7	12
	500	20	45	66	6	24	28
	550	2	22	41	40	52	58
Com. Union (*451)	360	95	105	113	1	3	4
	390	65	79	88	1	5	8
	420	35	56	67	2	9	15
	460	9	31	44	13	24	30
Cable & Wire (*487)	460	33	60	85	2	13	24
	500	8	38	60	18	33	40
	550	1	17	37	65	70	70
British Gas (*172)	165	10	19	—	1½	6	—
	180	2	12	18	10	13	17
	200	0½	6	9	28	29	31
G.E.C. (*235)	220	19	29	37	1½	7	12
	240	5½	19	27	9	15	21
	260	1	11	19	24	29	32
G.K.N. (*416)	360	58	74	81	0½	6	10
	390	29	52	60	2	12	19
	420	9	33	41	12	24	32
Grand Met. (*587)	500	90	103	112	1	3	9
	550	40	65	75	2	15	22
	600	5	35	45	20	33	45
I.C.I. (*1624)	1550	84	143	175	2½	27	50
	1600	43	115	143	15	45	70
	1650	17	85	117	37	70	90
Jaguar (*570)	500	75	93	103	0½	9	16
	550	27	58	72	3	21	32
	600	2½	30	45	33	50	60
Land Securities (*596)	500	100	110	125	1	5	8
	550	50	72	83	2	15	22
	600	15	42	55	15	28	40
Marks & Spen. (*240)	220	23	33	39	1	6	10
	240	5	20	27	6	16	19
	260	1	11	17	24	27	31
Britoil (*318)	300	20	41	51	2	16	23
	330	4	24	37	15	28	39
	360	1	14	23	45	49	57
Rolls-Royce (*209)	195	16	24	32	0½	7	10
	205	7	19	26	3	11	16
	215	2	14	—	8	17	—
Shell Trans. (*1345)	1300	60	125	160	7	40	67
	1350	28	95	130	23	62	87
	1400	8	68	107	58	90	115
	1450	3	52	85	105	120	150
Storehouse (*403)	390	23	43	62	9	25	35
	420	9	32	48	27	42	50
	460	2	19	28	60	68	75
Trafalgar House (*424)	390	38	45	62	2	10	17
	420	13	27	42	8	22	30
	460	2	10	22	37	45	53
TSB (*145)	130	16	22	24	0½	2	3
	140	6	15	18	2½	5	7
	150	1½	10	14	9	12	14
Woolworth (*369)	350	25	—	—	3	—	—
	360	—	—	50	—	—	25
	375	9	30	—	17	23	—

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero (*537)	500	52	73	85	6	18	30
	550	17	45	58	27	38	50
	600	6	25	—	62	70	—
BAA (*150)	130	24	27	32	1	4	7
	140	14	21	26	3½	9	11
	160	3½	10	15	14	19	22
BAT Inds (*699)	650	62	85	97	6	18	27
	700	29	55	68	25	36	45
	750	10	32	47	38	67	75
Brit. Telecom (*273)	240	38	—	—	1	—	—
	260	20	31	39	4	12	15
	280	9	21	29	14	22	26
Cadbury Schweppes (*298)	280	18	32	37	6	13	18
	300	6	22	27	18	22	28
Guinness (*376)	330	50	65	68	2	4	9
	350	25	40	48	6	12	20
	390	9	23	32	22	27	35
Ladbroke (*460)	420	—	65	75	—	9	15
	443	33	—	—	8	—	—
	460	21	40	50	15	22	30
LASMO (*362)	330	40	58	70	6	14	23
	360	19	40	53	17	27	34
	390	9	28	38	35	44	52
Plessey (*221)	200	27	36	42	2½	8	12
	220	14	24	32	11	16	21
	240	6½	18	—	22	26	—
Prudential (*1141)	1050	100	137	152	10	22	37
	1100	58	100	117	22	40	57
	1150	27	72	92	42	60	75
P. & O. (*704)	688	38	67	—	13	27	—
	700	—	—	70	—	—	40
	750	10	38	47	50	58	68
Racal (*330)	300	35	52	64	2½	13	17
	330	19	33	45	14	25	30
	360	9	22	32	35	41	45
R.T.Z. (*1385)	1300	125	190	220	25	50	80
	1350	95	165	195	43	85	105
	1400	70	140	175	70	110	135
Vaal Reefs (*$135)	120	18	23	—	3	6½	—
	130	12	17½	22	7	10½	14
	140	9½	14	18	12	15	18
Tr. 11¾% 1991 (*104)	102	1⅞	1⅜	—	0⅛	0⅝	—
	104	0⅝	0⅞	—	0⅝	1⅛	—
	106	0⅛	0⅜	—	2⅜	1⅝	—
	108	0⅛	0⅛	—	4⅛	4⅛	—
Tr. 12% 1995 (*108)	108	—	—	1⅞	—	—	2⅜
	110	—	—	1¼	—	—	4⅛
Tr. 11¾% 03/07 (*112)	110	2⅞	3⅜	4½	1¼	2	2⅝
	112	1⅜	2⅛	3½	1⅛	2⅜	3⅛
	114	0⅝	2	2⅛	3⅛	3⅜	4⅜
	116	0⅛	1¼	2	4¼	5¼	5⅛

Option		Calls Dec	Calls Mar	Calls June	Puts Dec	Puts Mar	Puts June
Amstrad (*171)	160	23	34	38	7	13	17
	180	13	22	28	20	26	29
	200	6	13	22	32	38	42
Barclays (*626)	550	92	107	122	5	12	17
	600	55	75	92	17	25	32
	650	27	47	60	40	50	57
Beecham (*565)	500	75	92	—	5	14	—
	550	36	56	72	19	28	31
	600	14	32	48	48	52	57
Boots (*306)	280	33	45	52	5	9	13
	300	20	33	40	10½	16	21
	330	10	18	26	30	31	35
BTR (*351)	330	35	48	—	7	12	—
	360	17	30	37	21	25	31
	390	7	18	24	42	43	48
Blue Circle (*475)	475	28	—	—	18	—	—
	500	20	37	45	40	45	55
	550	7	18	—	78	80	—
De Beers (*$1765)	1200	560	—	—	15	—	—
	1300	460	—	—	50	—	—
	1400	370	—	—	—	—	—
Dixons (*397)	360	50	62	72	7	15	18
	390	32	42	52	18	24	30
	420	14	—	—	34	—	—
Glaxo (*1699)	1650	115	180	—	50	73	—
	1700	90	160	195	73	93	107
	1750	63	125	170	100	117	130
	1800	44	100	150	135	145	155
	1850	27	80	130	170	175	185
Hanson (*182)	140	45½	—	—	0½	—	—
	160	27	29½	—	2	3	—
	180	11½	16½	21½	6	9½	11½
	200	4	7½	12½	18	21	23
Lonrho (*361)	300	64	71	77	2	6	7
	330	42	50	57	8	11	15
	360	21	30	42	17	22	27
Midland Bk (*548)	500	—	—	100	—	—	22
	522	50	—	—	15	—	—
	550	32	57	70	27	40	47
Sears (*167)	140	31	34	—	1	2	—
	160	15	22	26	5	8	11
	180	5	12	17	15	18	21
Tesco (*186)	180	—	—	30	—	—	12
	183	12	24	—	8	10	—
	200	7	16	21	18	23	21
	220	2	10	14	36	38	40
Trusthouse Forte (*277)	240	43	48	54	2	5	8
	260	27	35	40	6	12	15
	280	15	23	30	15	20	25
Thorn EMI (*719)	650	85	105	130	7	20	25
	700	50	72	100	22	32	42
	750	25	50	72	50	53	65
Unilever (*622)	600	53	75	87	15	25	32
	650	25	48	60	40	47	55
	700	12	30	42	77	77	82
Wellcome (*525)	500	52	75	92	24	32	40
	550	28	50	68	49	57	65
	600	15	33	50	90	95	98

Option		Calls Oct.	Calls Nov.	Calls Dec.	Calls Jan.	Puts Oct.	Puts Nov.	Puts Dec.	Puts Jan.
FT-SE Index (*2363)	2150	233	250	—	—	1	5	—	—
	2200	185	203	225	—	2	9	15	—
	2250	138	162	185	—	3½	17	25	—
	2300	90	123	150	180	12	28	37	47
	2350	57	90	117	148	25	45	55	65
	2400	33	63	90	118	50	70	78	90
	2450	14	42	67	95	87	100	108	117

October 9. Total Contracts 38,835. Calls 25,088. Puts 13,747. FT-SE Index Calls 1,406. Puts 2,329
*Underlying security price.

Traditional Options

- First dealings Oct 5
- Last dealings Oct 16
- Last declaration Jan 7
- For Settlement Jan 18

For rate indications see end of London Share Service

Stocks dealt in for the call included **Platignum, Amalgamated Financial, Pilkington, SI Group, Ossory Estates, Explora, Clyde Petroleum, Barratt Developments, B. Matthews, Unigate, Blacks Leisure, Abaco, Storehouse, Fine Art Developments, Eagle Trust, Common Bros., Ferranti** and **Rothmans. Barratt Developments** were dealt in for the put, while double options were arranged in **Knobs and Knockers** and **Storehouse**.

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (140)

AMERICANS (1), CANADIANS (2), BANKS (7), BREWERS (3), BUILDINGS (5), STORES (11), ELECTRICALS (2), ENGINEERING (13), FOODS (1), HOTELS (1), INDUSTRIALS (30), INSURANCE (8), LEISURE (2), MOTORS (5), NEWSPAPERS (1), PAPERS (6), PROPERTY (7), SHOES (2), TEXTILES (5), TRUSTS (20), OILS (1), OVERSEAS TRADERS (1), MINES (6), THIRD MARKET (1).

NEW LOWS (14)

AMERICANS (3) Chemical New York, Rockwell Intl, Sun Co. CANADIANS (4) Am Lightwave, Bk Montreal, BCE, Derlan Inds. ELECTRICALS (1) Rodime. FOODS (1) Dalepak Foods. INDUSTRIALS (1) Medical Res. TRUSTS (3) German Small Inv, Scot National Tst Inc, Do Cap. MINES (1) Independent Res.

LONDON STOCK EXCHANGE

DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ♦ Bargains done the previous day. Δ Bargains done with non-member or executed in overseas markets.

Corporation and County Stocks
No. of bargains included 8

London County 2½% Cons Stk 1920(or after) - £23 (6Oc87)
Greater London Council 6¾% Stk 90/92 - £89
Birmingham Corp 3½% Stk 1946(or after) - £27 (6Oc87)
Leeds(City of) 13½% Red Stk 2006 - £117¼ (5Oc87)
Leeds Corp 3% Deb Stk 1927(or after) - £28 (2Oc87)
Liverpool Corp 2½% Red Stk 1923(or after) - £20 (5Oc87)
Manchester Corp 1891 3% Red Stk 1941(or after) - £27 (5Oc87)
Newcastle-Upon-Tyne(City of) 11¾% Red Stk 2017 - £100 (6Oc87)
Nottingham Corp 3% Stk (Irrd) - £27¾
Salford Corp 5½% Red Stk 86/88 - £95 ½

UK Public Boards
No. of bargains included 3

Agricultural Mortgage Corp PLC 4½% Deb Stk 81/91 - £76½ (6Oc87)
5½% Deb Stk 93/95 - £79½ (5Oc87)
6¼% Deb Stk 92/94 - £78½ (6Oc87)
6¾% Deb Stk 85/90 - £88½ (6Oc87)
7¾% Deb Stk 91/93 - £84½♦
9¾% Deb Stk 85/87 - £98 (2Oc87)
10¼% Deb Stk 92/95 - £95
Metropolitan Water Metropolitan Water 3% A Stk 63/2003 - £43 (5Oc87)
Port of London Authority 6½% Reg Stk 87/90 - £88¾

Commonwealth–Government
No. of bargains included 4

Jersey Electricity Co Ld 6% Gtd Stk 2000 - £93½

Foreign Stocks, Bonds, etc–(coupons payable in London)
No. of bargains included 68

Hungary(Republic of) 7½% Stg Bds(Assd Lon 1966 Sett) - £83 (2Oc87)
Spain(Govt of) 4%(Sealed Bds) - £42
ASDA-MFI Group PLC 4¾% Cnv Bds 2002(Br£1000&£5000) - £123¾ 5.2 (2Oc87)
BET PLC 5¾% Cnv Bds 2001 - £134.57 (2Oc87)
BP Capital BV 9¾% Gtd Nts 1993 - £97.8617 (2Oc87)
BTR PLC 4¾% Cnv Sub Bds 1995(BrEC1000&10000) - EC119¾

Barclays Bank PLC 7¾% Uns Cap Ln Stk 86/91 - £87¾
8¼% Uns Cap Ln Stk 86/93 - £88 8 9
12% Uns Cap Ln Stk 2010 - £107 ¾
16% Uns Cap Ln Stk 2002/07 - £133¾ ¾ (6Oc87)
Cater Allen Hldgs PLC 4.2% 2nd Cum Prf £1 - 88 (5Oc87)
Libra Bank PLC 8½% Cum Red Prf 2016 £1 - 94 4 (2Oc87)
Midland Bank PLC 7½% Subord Uns Ln Stk 83/93 - £85¼
10¼% Subord Uns Ln Stk 85/88 - £99¾
14% Subord Uns Ln Stk 2002/07 - £118¾ 9 ¾ ¾
National Westminster Bank PLC 7% Cum Prf £1 - 62½ 3 3
9% Subord Uns Ln Stk 1993 - £97 8
12½% Subord Uns Ln Stk 2004 - £110¾ (7Oc87)
Prudential-Bache Cap Funding PLC 8¾% Cum Prf £1 - 109 (2Oc87)
Standard Chartered PLC 12¾% Subord Uns Ln Stk 2002/07 - £110¾ ¾ 1 1 ¾
TSB Group PLC Ord 25p - 136 7 7 8 .138 8 9 ½ .6395 40 40 40‡ ¾‡ 1 1
Warburg (S.G.) Group PLC 7¾% Cum Prf £1 - 96

Breweries and Distilleries
No. of bargains included 675

Allied-Lyons PLC 5½% Cum Prf £1 - 40 50
7½% Cum Prf £1 - 70
3% Red Deb Stk 85/90 - £84 (5Oc87)
3¼% Red Deb Stk 87/97 - £73 (6Oc87)
6¾% Red Deb Stk 84/89 - £92 (6Oc87)
6¼% Red Deb Stk 87/92 - £83 (5Oc87)
6¾% Red Deb Stk 88/93 - £81½ 2¼ (6Oc87)
7¾% Red Deb Stk 88/93 - £84½ (7Oc87)
11¾% Deb Stk 2009 - £107¾ (6Oc87)
7½% Uns Ln Stk - £85 (5Oc87)
7¾% Uns Ln Stk 93/98 - £81 2
Aylesbury Brewery Co Ld 4% Red 1st Mtg Deb Stk - £36 (5Oc87)
Bass PLC 4% Cum Prf £1 - 35 6
7% Cum Prf £1 - 62 2 ½
3¼% Deb Stk 87/92 - £75¾ (6Oc87)
8¾% Deb Stk 87/92 - £89¾
4½% Uns Ln Stk 92/97 - £60
7¾% Uns Ln Stk 92/97 - £80
Bass Investments PLC 7¾% Uns Ln Stk 92/97 - £77 (6Oc87)
Boddington Group PLC 8¾% Cnv Uns Ln Stk 2000/05 - £164 5 8 7‡ 8 70
Bulmer(H P.)Hldgs PLC 9½% Cum Prf £1 - 110 (5Oc87)
8¾% 2nd Cum Prf £1 - 109 10 ½
Greenall Whitley PLC "A" Ord 5p - 68 (2Oc87)
8% Cum Prf £1 - 95 6 7 (6Oc87)
7% Irrd Uns Ln Stk - £80 (6Oc87)
8¾% Irrd Uns Ln Stk - £68 70 (6Oc87)

UK Public Boards

Sterling Issues by Overseas Borrowers

Banks and Discount Companies

Registered Housing Associations

Commercial, Industrial, etc

Insurance

Investment Trusts

Financial Trusts, Land, etc

Unit Trusts

Mines – Miscellaneous

Mines – South African

Oil

Property

Plantations

Railways

Shipping

Utilities

Water Works

USM Appendix

The Third Market Appendix

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

RULE 535 (2)

Applications granted for specific bargains in securities not listed on any exchange

Continued on page 14

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 8 1987					WEDNESDAY OCTOBER 7 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (91)	170.49	+0.7	153.89	156.48	2.52	169.36	153.01	155.68	180.81	99.92	89.04
Austria (16)	101.81	+0.5	91.89	96.45	2.15	101.30	91.52	96.16	102.87	85.53	94.13
Belgium (48)	125.34	+0.0	113.13	117.61	4.03	125.35	113.25	117.78	134.89	96.19	90.35
Canada (129)	133.74	−0.7	120.72	126.28	2.32	134.65	121.65	127.24	141.78	100.00	98.23
Denmark (38)	120.03	+0.9	108.35	114.20	2.57	119.01	107.52	113.59	124.83	98.18	96.78
France (122)	109.10	+0.3	98.47	103.83	2.66	108.74	98.25	103.67	121.82	98.39	95.79
West Germany (93)	101.75	+0.5	91.84	96.41	1.96	101.24	91.46	96.11	104.93	84.00	95.08
Hong Kong (46)	157.23	+0.0	141.92	157.58	3.08	157.21	142.04	157.58	158.68	96.89	89.64
Ireland (14)	157.85	+1.6	142.48	151.05	2.98	155.30	140.30	148.86	157.85	99.50	80.08
Italy (95)	94.78	+0.6	85.56	93.09	2.04	94.20	85.10	92.69	112.11	84.22	100.36
Japan (458)	148.47	+2.3	134.01	135.99	0.50	145.09	131.09	133.54	161.28	100.00	98.01
Malaysia (36)	179.59	+0.6	162.11	176.07	2.04	178.51	161.28	175.08	193.64	98.24	92.94
Mexico (14)	406.86	−2.3	367.25	707.08	0.42	416.45	376.25	724.88	422.59	99.72	81.09
Netherland (37)	123.68	+0.3	111.64	115.79	3.87	123.26	111.36	115.58	131.41	99.65	96.50
New Zealand (24)	134.95	−0.3	121.81	107.58	2.75	135.33	122.26	108.60	138.99	83.93	78.42
Norway (24)	181.02	+1.1	163.40	163.70	1.67	178.99	161.71	162.11	185.01	100.00	102.79
Singapore (27)	171.09	+0.0	154.44	165.38	1.49	171.12	154.60	165.36	174.28	99.29	99.03
South Africa (61)	186.20	−0.9	168.07	135.69	3.11	187.96	169.82	135.85	198.09	100.00	100.98
Spain (43)	166.54	−0.5	150.32	152.79	2.61	167.35	151.19	153.66	168.81	100.00	98.27
Sweden (34)	136.64	+0.8	123.34	129.26	1.77	135.59	122.50	128.57	136.64	90.85	100.05
Switzerland (53)	111.11	+0.4	100.29	104.60	1.59	110.68	100.00	104.54	111.11	92.01	95.06
United Kingdom (335)	160.56	+0.8	144.93	144.93	3.11	159.31	143.93	143.93	162.87	99.65	92.11
USA (584)	128.52	−1.3	116.01	128.52	2.86	130.28	117.70	130.28	137.42	100.00	98.11
Europe (952)	130.02	+0.6	117.36	120.62	2.75	129.28	116.80	120.10	130.02	99.78	94.68
Pacific Basin (682)	149.51	+2.2	134.95	137.19	0.68	146.35	132.22	134.90	158.77	100.00	97.34
Euro–Pacific (1634)	141.78	+1.6	127.97	130.58	1.44	139.58	126.11	129.00	143.65	100.00	96.29
North America (713)	128.80	−1.3	116.26	128.42	2.83	130.51	117.91	130.13	137.55	100.00	98.11
Europe Ex. UK (617)	111.04	+0.4	100.24	105.42	2.42	110.62	99.94	105.21	111.97	98.02	96.27
Pacific Ex. Japan (224)	162.41	+0.3	146.60	152.32	2.65	161.85	146.23	152.00	164.03	99.92	88.89
World Ex. US (1838)	142.13	+1.5	128.30	130.81	1.49	140.10	126.58	129.34	143.38	100.00	96.39
World Ex. UK (2087)	134.51	+0.4	121.41	128.68	1.85	134.00	121.06	128.47	138.82	100.00	97.52
World Ex. So. Af. (2361)	136.51	+0.4	123.22	130.11	1.98	135.92	122.80	129.82	139.47	100.00	97.01
World Ex. Japan (1964)	131.28	−0.6	118.50	127.27	2.79	132.05	119.30	128.08	134.22	100.00	96.57
The World Index (2422)	136.83	+0.4	123.51	130.19	1.99	136.25	123.10	129.91	139.73	100.00	97.04

Base values: Dec 31, 1986 = 100

Latest prices were unavailable for this edition.
Hong Kong market closed for public holiday October 8.

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
		Nov 87		Feb 88		May 88		
GOLD C	$460	180	12.50	—	—	—	—	$461.50
GOLD C	$480	251	4.60	21	16	1	29	"
GOLD C	$500	15	3	108	11.20	202	19	"
GOLD P	$460	92	7.50	9	12	2	15	"
SILVER C	$750	1	50	—	—	—	—	$780
SILVER C	$850	7	24	—	—	—	—	"
		Oct. 87		Nov. 87		Dec. 87		
$/Fl C	Fl.205	—	—	300	1.70	222	2.50	Fl.204.44
$/Fl C	Fl.210	—	—	20	0.70	200	1.20	"
$/Fl C	Fl.215	—	—	—	—	70	0.50	"
$/Fl P	Fl.195	—	—	—	—	20	0.80	"
$/Fl P	Fl.200	—	—	10	1	55	1.70	"
$/Fl P	Fl.205	22	1.80	178	3	226	4.30	"
$/Fl P	Fl.210	—	—	2	6.50	—	—	"
$/Fl P	Fl.215	—	—	—	—	100	12.30	"
		March 88		June 88		Sep. 88		
$/Fl C	Fl.205	—	—	—	—	2	5.80	Fl.205.22
$/Fl C	Fl.210	4	2.40A	—	—	—	—	"
$/Fl C	Fl.220	—	—	7	1.40	—	—	"
		March 88		June 88		Sept. 88		
$/Fl C	Fl.200	1	6.20	—	—	2	7	Fl.204.44
$/Fl C	Fl.205	13	3.90	302	4.50A	—	—	"
$/Fl C	Fl.210	103	2.40	3	3	—	—	"
$/Fl P	Fl.195	111	2.20	1	4.40	3	6	"
$/Fl P	Fl.200	1	4.70	—	—	—	—	"
$/Fl P	Fl.215	5	14.50	—	—	—	—	"
		Oct. 87		Jan. 88		Apr. 88		
ABN C	Fl.50	—	—	524	0.90	270	1.70	Fl.45
ABN P	Fl.46	2092	1.10	2908	2.20	342	3	"
AEGON C	Fl.95	79	0.10	158	2.30B	—	—	Fl.85.80
AHOLD P	Fl.100	57	1	29	4	65	4.90	Fl.100
AHOLD C	Fl.100	4	1.50A	2	6.80	—	—	"
AKZO C	Fl.170	875	3.70	268	11.50	68	16.50	Fl.172.30
AKZO P	Fl.170	348	0.90	295	7	57	8.70A	"
AMEV C	Fl.60	60	0.50	122	2.40	33	4.50	Fl.57.60
AMEV P	Fl.65	74	7.50	22	7.10	166	8	"
AMRO C	Fl.90	—	—	392	1.30	21	2.50	Fl.80.30
AMRO P	Fl.80	260	0.80A	190	2.70	14	4.50	"
ELSEVIER C	Fl.65	119	0.10	121	2.20	67	4.10	Fl.57
ELSEVIER P	Fl.60	396	3.70	337	5.20	13	7	"
GIST-BROC. C	Fl.50	47	0.10	150	2.40	20	3.90A	Fl.48.10
GIST-BROC. P	Fl.50	203	2.70	78	3.50	102	5	"
HEINEKEN C	Fl.180	10	0.20	56	5	4	9	Fl.171.50
HEINEKEN P	Fl.190	53	19.50	—	—	—	—	"
HOOGOVENS C	Fl.50	93	0.10	143	2.30	3	4.30	Fl.47
HOOGOVENS P	Fl.50	278	3.20	40	5.50	—	—	"
KLM C	Fl.50	465	1.50	363	4.60	27	6.70	Fl.51.30
KLM P	Fl.50	520	0.30	412	2.40	264	3.70	"
NEDLLOYD C	Fl.190	76	2.40	34	13	7	18.50	Fl.189
NEDLLOYD P	Fl.190	92	2.30	13	12.40	—	—	"
NAT.NED. C	Fl.75	228	0.20	314	2.50	20	4.40	Fl.70.60
NAT NED P	Fl.70	132	0.50	323	3	59	4	"
PHILIPS C	Fl.55	401	0.10	1128	2	593	3.10	Fl.51.60
PHILIPS P	Fl.55	674	3.70	2181	4.50	1577	5.60	"
ROYAL DUTCH C	Fl.270	205	0.70	619	8	121	14	Fl.260.50
ROYAL DUTCH P	Fl.270	1157	9.70	365	12.80	11	15.20	"
ROBECO C	Fl.105	5	5.30	100	9.40A	—	—	Fl.110.70
ROBECO P	Fl.115	15	5	1	5.40	25	6.40	"
UNILEVER C	Fl.144	168	0.10	3745	4.70	—	—	Fl.135.70
UNILEVER P	Fl.132	49	0.50	210	4	—	—	"

TOTAL VOLUME IN CONTRACTS: 65,653

A=Ask B=Bid C=Call P=Put

LEADERS AND LAGGARDS

Percentage changes since December 31 1986 based on Thursday October 8 1987

Mining Finance	+104.64	Other Industrial Materials	+45.50
Publishing and Printing	+85.56	500 Share Index	+45.41
Overseas Traders	+72.56	Other Groups	+45.24
Textiles	+66.69	Packaging and Paper	+45.16
Metals and Metal Forming	+66.58	Industrial Group	+45.02
Property	+65.49	Insurance (Life)	+44.72
Contracting, Construction	+59.24	Financial Group	+44.69
Health and Household Products	+58.52	Building Materials	+44.68
Agencies	+56.43	Consumer Group	+44.43
Merchant Banks	+54.72	Electronics	+42.83
Insurance (Composite)	+53.72	Food Manufacturing	+41.16
Shipping and Transport	+53.33	Conglomerates	+38.86
Chemicals	+52.93	Mechanical Engineering	+38.27
Motors	+49.82	Investment Trusts	+38.23
Gold Mines Index	+49.50	Stores	+33.89
Leisure	+49.47	Food Retailing	+32.72
Oils and Gas	+47.58	Telephone Networks	+31.68
Electricals	+47.42	Brewers and Distillers	+31.21
All-Share Index	+45.86	Banks	+27.46
Capital Goods	+45.76	Insurance Brokers	+13.13

RISES AND FALLS

	Yesterday Rises	Yesterday Falls	Yesterday Same	On the week Rises	On the week Falls	On the week Same
British Funds	4	105	3	182	304	74
Corporations, Dom. and Foreign Bonds	5	22	28	51	67	157
Industrials	429	512	639	2,306	2,500	3,094
Financial and Props.	158	171	296	815	851	1,459
Oils	39	25	50	154	178	238
Plantations	3	1	10	12	5	53
Mines	38	51	105	224	260	486
Others	45	110	91	296	584	345
Totals	721	997	1,222	4,040	4,749	5,906

BANK RETURN

BANKING DEPARTMENT	Wednesday October 7, 1987	Increase (+) or decrease (−) for week	
LIABILITIES	£		£
Capital	14,553,000		—
Public Deposits	96,408,298	−	660,509
Bankers Deposits	1,002,124,707	+	68,318,395
Reserve and other Accounts	2,022,550,615	−	17,331,2258
	3,135,636,620	+	50,326,661
ASSETS			
Government Securities	530,328,181	−	185,580,000
Advance and other Accounts	1,177,529,017	+	135,282,403
Premises Equipment & other Secs.	1,423,202,683	+	108,053,482
Notes	4,311,105	−	7,446,643
Coin	265,634	+	17,419
	3,135,636,620	+	50,326,661

ISSUE DEPARTMENT			
LIABILITIES	£		£
Notes in Circulation	13,235,688,895	+	7,446,643
Notes in Banking Department	4,311,105	−	7,446,643
	13,240,000,000		—
ASSETS			
Government Debt	11,015,100		
Other Government Securities	8,947,577,878	+	97,499,926
Other Securities	4,281,407,022	−	97,499,926
	13,240,000,000		—

BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'l TstC'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambro Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
Cl. Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Sarewise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 11.125%.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	8,700	203	+2½	Jaguar	1,500	570	—
Allied Lyons	5,800	432	−1	Ladbroke	777	462	+2
Amstrad	10,000	172	−1	Land Securities	1,600	602	+14
Argyll Group	1,500	230	−4	Legal & Gen.	4,800	385	+18
Assoc. Brit. Foods	167	362	−4	Lloyds Bank	1,400	358	−7
BAA	6,100	150	−2	LASMO	480	364	+3½
BAT	2,900	684	−16	Lonrho	7,600	362	+7½
BET	2,800	304	+2	Lucas	980	763	−6
BICC	322	434	+5	MEPC	728	564	+16
BOC	1,100	541	−5	Marks & Spencer	4,800	242	+4
BPB Inds	2,100	345	+5	Midland Bank	1,200	549	+1
BPCC	457	360	—	Natwest Bank	1,300	767	−3
BTR	1,100	354	−1	Next	902	365	+5
Barclays	3,100	623	−10	Pearson	1,100	990	+5
Bass	335	959	−5	P & O	1,500	703	−14½
Beecham	1,700	567	−3	Pilkington Bros	2,300	315	−2
Blue Arrow	3,100	167	—	Plessey	3,400	221	−5
Blue Circle	932	478	−4	Prudential	630	£11½	+¼
Boots	4,300	305	−4	Racal	5,600	330	−9
Brit. Airways	5,700	227	−2	Rank Org.	419	740	+2
Brit. Aero	1,900	540	−9	RHM	519	358	−4
Brit. & Comm.	298	527	+1	Reckitt & Col	254	£10½	—
British Gas	10,000	172	—	Redland	2,800	530	+3
Britoil	4,700	318	−2	Reed Intl	1,700	611	+3
BP	7,300	363	−4	Reuters	952	904	−1
Brit. Telecom	9,600	273	−2½	RTZ	691	£13⅞	−3⅛
Bunzl	301	254	—	Rolls-Royce	4,800	208½	−1½
Burton	5,100	315	+7	Rothmans Intl	1,200	439	+2
Cable & Wire	4,200	488	+2	Rowntree	101	551	−5
Cadbury Schwps	1,600	287	−3	Ryl Bank Scotland	187	434	+4
Coats Viyella	1,000	416	+5	Royal Insurance	685	588	—
Comm. Union	2,500	453	+3	STC	2,100	315	−4
Cons. Gold	762	£14⅞	—	Sainsbury	181	272	−2
Cookson	392	816	—	Scott & Newcastle	296	263	−½
Courtaulds	933	515	−2	Sears	6,500	169	+1
Dee Corpn	2,500	219	—	Sedgwick	1,300	296	−2
Dixons Group	3,000	398	+6	Shell Trans	1,500	£13½	—
English China Clays	1,600	566	−2	Smith & Nephew	820	193	−1
Fisons	5,700	379	−1	Standard Chart	371	805	−8
Gen. Accident	505	£11⅝	—	Storehouse	15,000	406	+1
Gen. Elect	6,400	237	—	Sun Alliance	111	£12⅞	—
Glaxo	1,400	£17	−⅛	TSB	10,900	145	+4
Globe Investment	262	191	−½	Tarmac	1,100	305	−1
Granada	82	361	—	Tesco	1,700	187	−2
Grand Met	1,200	587	−2	Thorn EMI	2,300	722	—
GUS "A"	343	£14	—	Trafalgar House	2,900	425	—
Guardian R.E.	53	£10⅞	—	T'house Forte	4,200	282½	+4
GKN	770	416	−2	Ultramar	5,200	308	+11
Guinness	1,000	377	−1	Unilever	426	623	−10
Hammerson	166	690	+2	United Biscuits	1,500	316½	−3½
Hanson Trust	4,700	181½	−3½	Wellcome	6,300	530	−14
Hawker Sidd	785	600	−8	Whitbread "A"	579	339	−2
Hillsdown Hldgs	2,000	341	−4	Woolworth	2,500	373	+4
ICI	1,500	£16¼	−⅛				

Continued from page 13 . *By permission of the Stock Exchange Council*

Kunick Leisure (10p) 45 8 50 (7/10)
Le Riches Stores (£1) 440 (5/10)
Manx Petroleum (£1) 20 5 (6/10)
Merret (10p) 500 (7/10)
Norton Villiers Triumph (1p) 7 8 ½ 9 ½ (7/10)
Park Estates (Liverpool) (£1) 990 (2/10)
Sinclair Research 78
Southern Newspapers (1p) 7½ 8 ¼ ½ 9 (6/10)
Sutton Harbour Improvement 375 85 (6/10)
Town and Country Bldg Soc 11½pcBds 4/11/87 £99.964 (7/10)
Travis and Arnold 4.2pcCum2ndPf 42½
Weetabix A (non-vtg) 355 (2/10)
Winchmore 100 (7/10)
Wolverhampton Racecourse 300

RULE 535 (3)

Dealings for approved companies engaged solely in mineral exploration

Kenmare Resources (IR0.25) 47 8 50 1 2½

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers—Contd.

G.P.	88.1	88.7	-0.1	7.84
(Accum Units)	105.0	105.5	-0.1	7.84
General Fund	55.4	58.6	-0.5	0.63
(Accum Units)	55.4	58.6	-0.5	0.63
High Income Fund	56.9	60.2xd	+0.2	4.37
(Accum Units)	57.8	61.1xd	+0.1	4.37
High Interest Fund	44.4	46.9xd	-0.1	9.56
(Accum Units)	45.8	48.4xd	+0.0	9.56
Income	134.0	141.7xd	-0.2	2.73
(Accum Units)	154.7	163.6xd	-0.2	2.73
International	314.1	332.3	-1.2	1.85
(Accum Units)	393.0	415.8	-1.5	1.85
Japan	219.6	232.3	+1.9	0.71
(Accum Units)	225.3	238.4	+1.9	0.71
Pacific Fund	62.6	66.2	-0.5	0.10
(Accum Units)	62.6	66.2	-0.5	0.10
Recovery	344.2	364.8	+0.2	2.10
(Accum Units)	374.3	396.0	+0.2	2.10
UK Smaller Co's Fund	59.3	62.7xd	+0.2	1.58
(Accum Units)	59.8	63.5xd	+0.2	1.58

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB — 01-925 1277

Merlin Oct 7	645.0	654.5	....	1.03

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. — 0707 45184

UK Income Fund	67.0	71.2	-0.1	4.17
Accum Units	67.7	72.0	-0.1	4.17
UK Growth Fund Acc	67.5	71.8	+0.6	1.39
Global Income Fund	51.0	54.2	-1.1	3.49
Accum Units	51.0	54.2	-1.1	3.49
Global Growth Fund	51.0	54.9	-0.6	0.46

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Capital	136.9	145.3	-0.2	1.05
(Accum Units)	189.2	200.8	-0.3	1.05
Commodity & Gen.	198.9	211.1	-0.9	1.27
(Accum Units)	283.9	301.3	-1.3	1.27
European Growth	137.0	145.4	-0.1	0.96
(Accum Units)	165.3	175.4	+0.1	0.96
Extra High Inc	76.5	81.3xd	+0.3	6.14
(Accum Units)	95.1	101.0	+0.3	6.14
Gilt & Fxd. Int.	52.9	54.3xd	-0.1	8.60
(Accum Units)	92.3	95.5	-0.1	8.60
High Yield	236.3	250.8	....	3.85
(Accum Units)	418.2	443.8	-0.1	3.85
Income	262.9	279.0	-0.8	2.67
(Accum Units)	446.3	473.4	-1.3	2.67
Intl High Yl UT	62.8	66.8	-0.1	1.75
Do Accum	62.8	66.8	-0.1	1.75
Japan and Pacific	351.1	372.6xd	+2.3	0.10
(Accum Units)	368.8	391.4	+2.4	0.10
Managed Portfolio Acc	73.8	78.1	-0.3	1.17

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London EC2R 6BA. — 01-588 3903

PM Equity Growth	128.4	136.6	+0.3	0.94
PM Income and Growth	108.8	115.8xd	....	2.86
PM N American Growth	56.4	59.9	-1.1	0.34
PM European Growth	53.5	56.9	+0.2	0.55
PM Japan Growth	72.6	77.3	+0.7	0.35
PM Overseas Growth	56.3	59.8	-0.6	0.42

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL — 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst.	86.4	91.9	-0.9	0.33
Holborn Equity Income	79.2	83.8	+0.1	3.07
Holborn Equity Tst	621.9	660.0xd	-2.0	2.05
Holborn European Tst.	130.6	138.3	+0.1	0.60
Holborn Gilt Tst.	206.9	215.8	-1.1	2.21
Holborn High Inc Tst	93.3	98.7xd	+0.1	4.57
Holborn Intl Grth Tst	128.0	135.6	-0.7	0.64
Holborn Intl Sm Cos	48.4	51.2	+0.2	0.05
Holborn Japanese Tst.	143.6	151.0xd	+1.6	0.04
Holborn N. Amer. Tst.	95.4	101.4	-1.6	0.48
Holborn Sm Cos Tst.	85.8	90.7	....	1.28
Holborn Spec Sits Tst.	114.2	120.8	-0.4	1.21
Holborn UK Growth Tst.	125.5	132.8	-0.5	1.40

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 — 01-600 4177

Quadrant Gen. Fd.	692.8	733.2xd	-0.3	1.33
Quadrant Income	353.9	374.6	+1.0	3.57
Quadrant Intl. Fund	469.1	496.5	....	1.01
Quadrant Spec. Sits.	495.4	524.3xd	+5.1	1.11

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent — 0892 510033

British Life	255.4	271.6xd	-1.1	2.22
Reliance Unit Tst (Inc)	180.7	192.1xd	-0.4	1.37
Reliance Ut Tst (Acc)	244.2	259.7	-0.5	1.37

Ransburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. — 051-227 2030

Internat. Growth Trust	52.6	56.3	....	1.49

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 — 01-634 2981/4

NC America (Inc)	324.4	345.1	-5.3	0.66
NC America (Acc)	357.9	380.7	-5.9	0.66
NC Inc Fd.	134.0	142.5	-0.5	2.90
NC Japan Fd.	222.5	236.7	-0.3	0.00
NC Major UK Cos Fd.	75.2	80.0	-0.9	1.68
NC Smllr Australasian	95.9	102.0	-0.8	0.61
NC Smllr Canadian CoFd.	51.0	54.2	-0.5	1.05
NC Smaller Cos	265.1	282.0xd	+0.6	0.76

Standard Life Trust Mgmt. Ltd

Stewart Ivory Unit Trust Mgrs Ltd (a)

Sun Alliance Fund Management Ltd

Sun Life of Canada Unit Mgrs Ltd

Sun Life Trust Mgmt. Ltd

Target Trust Mngrs. Ltd (a)(g)

Templeton Investment Management

Thornton Unit Managers Ltd

Touche, Remnant Unit Trust Mngt Ltd

Tyndall Unit Trust Managers Limited

UK Provident Unit Trust Managers Ltd

Unit Trust Account & Mgmt. Ltd

Vanguard Trust Managers Ltd

Wardley Unit Trust Managers Ltd (a)

Waverley Asset Management Ltd

Wellington Fund Mngrs Ltd

Whittingdale Unit Trust Managers Ltd

Windsor Trust Mngrs Ltd

Wright Seligman Fund Managers Ltd

Yorkshire General Unit Trust Mngrs Ltd

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt-Edged Inc.	224.8			—
Do Accum.	277.3			—
Guaranteed Inc.	159.2			—
Do Accum	196.6			—
International Inc.	525.2			—
Do Accum	647.7			—
Index Lk. Gilt Inc.	132.3			—
Do Accum.	163.2			—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	321.8		+0.1	—
Property Pens.	436.0		+0.4	—
Equity	206.4		+1.0	—
Equity Pens.	957.9		+7.1	—
Money Market	297.2		+0.6	—
Money Mkt. Pens.	536.4		+1.7	—
Deposit	240.2		+0.0	—
Deposit Pens.	385.5		+0.2	—
Managed	368.9		+1.3	—
Managed Pens.	654.7		+3.9	—
Intl. Equity	367.8		+0.2	—
Do Pens.	604.3		+0.7	—
Intl. Managed	335.3		+0.7	—
Do. Pens.	505.1		+1.7	—
North American	132.3		-1.6	—
Do. Pens.	151.7		-2.9	—
Far East	309.6		+2.0	—
Do. Pens.	465.0		+4.2	—
Intl. Currency	168.9		+0.3	—
Do Pens.	217.9		+0.6	—
Index Linked	122.3		-0.8	—
S & C Managed Fd	143.8		+0.3	—

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987 High	1987 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
101⅞	100⅛	Treas 12pc 1987	100⅛xd	....	—	—
99¹⁵⁄₁₆	97¹¹⁄₁₆	Treas 7¾pc 1985-88‡‡	99⅛	....	7.80	9.69
102¼	99¹³⁄₁₆	Exch 10½pc '88	100¼xd	-⅛	10.48	10.21
101¹⁵⁄₁₆	98¹¹⁄₁₆	Treas 9¾pc Cv '88	99¹¹⁄₁₆	....	9.78	10.21
97¼	93⅛	Transport 3pc '78-88	96⅝	+⅛	3.10	7.79
101¾	98⅛	Treas. 9½pc '88	99⅛xd	-⅛	9.56	10.17
105¹¹⁄₁₆	101⅛	Treas 11½pc 1989	101⅞	-⅛	11.34	10.26
102⅛	97¹³⁄₁₆	Treas 9½pc Cnv 1989	98¾xd	-⅛	9.59	10.20
94¹⁵⁄₁₆	89¾	Treas 3pc 1989	93¼xd	....	3.22	7.54
104¼	99¹⁵⁄₁₆	Treas 10½pc 1989	100⅞	-⅛	10.48	10.32
109⅛	98½	Exch 10pc 1989	99⅛	-⅛	10.06	10.33
105¾	100⅛	Exch 11pc 1989	101¼xd	-⅛	10.87	10.30
95¹⁵⁄₁₆	89⅛	Treas 5pc 1986-89	93⅛xd	-⅛	5.37	8.75
108⅛	99¹⁵⁄₁₆	Exch 10¼pcCv '89	100¹³⁄₁₆xd	-⅛	10.19	9.99
111⅛	105	Treas 13pc 1990‡‡	105⅛	-⅛	12.32	10.14
106¼	100¹⁵⁄₁₆	Exch 11pc 1990‡‡	101¹¹⁄₁₆	-⅛	10.84	10.23
110⅛	104¼	Exch. 12¼pc 1990	104¹³⁄₁₆xd	-⅛	11.92	10.21
91¹⁵⁄₁₆	84¾	Treas. 3pc 1990	88¾xd	....	3.38	7.86
100⅛	93¹³⁄₁₆	Treas 8¼pc 1987-90‡‡	95¹⁵⁄₁₆	-⅛	8.61	10.05
105	97½	Treas. 10pcCv 1990	99¼xd	-⅛	10.07	10.25
89¹⁵⁄₁₆	81⅛	Exch 2½pc 1990	86	-⅛	2.91	7.60
110½	102¹³⁄₁₆	Treas 11¾pc 1991	103⅞	-⅛	11.31	10.28
95⅛	87¼	Funding 5¾pc '87-91‡‡	89⅛xd	....	6.43	9.37
89⅛	80¾	Treas. 3pc 1991	84⅞xd	-⅛	3.54	7.93
110¼	99	Treas 10pc Cv '91‡‡	103¼	-⅛	9.98	9.90
109¾	101¼	Exch. 11pc 1991	102¹³⁄₁₆xd	-⅛	10.74	10.25
96⅛	91¹³⁄₁₆	Treas. 8pc 1991	92¹³⁄₁₆	-⅛		
116⅛	107⅞	Treas 12¾pc 1992‡‡	108¹³⁄₁₆	-⅛	11.77	10.26
106⅛	97¹⁵⁄₁₆	Treas 10pc 1992	99⅛	-⅛	10.09	10.22
99⅛	90¹⁵⁄₁₆	Treas. 8pc 1992‡‡	92⅛xd	-⅛	8.70	10.25
108¹⁵⁄₁₆	99¾	Treas 10¼pc Cv 1992‡‡	100¹¹⁄₁₆xd	-⅛	10.41	10.25
85¾	79¾	Treas. 3pc 1992	80⅛	+⅛	3.74	8.03
115¾	106⅛	Exch. 12¼pc '92	107⅞	-⅛	11.43	10.31

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

Five to Fifteen Years

Over Fifteen Years

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
39	27¾	Rep NY Corpn $5	32¼	..	$1.16	—	2.2
18¼	14⅛	Rockwell Intl $1	14⅛	−¼	66c	—	2.9
30 5/16	22⅞	Sara Lee $1	26¾xd	−½	$1.00	—	2.3
11 7/16	8⅞	Saul (B.F.) $1	11⅛	−1/16	20c	—	1.1
27½	21⅛	Southwestern Bell $1	26	−⅛	h$2.32	—	5.5
22⅝	14¼	Staley Continental	22⅛	+3⅝	80c	—	2.2
44 5/16	34 5/16	Sun Co. Inc. $1	34 9/16	−1 1/16	$3.00	—	5.3
42¼	28⅞	TRW Inc. $0.625	37¼	−¼	h$1.60	—	2.6
37⅞	25⅞	Tenneco $5	36⅞	−1/16	$3.04	—	5.1
220	149½	Do. 10pcLn.Stk. 91-5	220xd	....	10%	—	14.7
29⅞	17 9/16	Texaco $6.25	24¼xd	−¼	$3.00	—	7.6
74 3/16	47⅞	Time Inc. $1	63xd	−1 3/16	$1.00	—	1.0
19⅞	11	Tracor $0.33	19½xd	.....	40c	—	1.3
30⅞	18⅞	Transamerica $1	24 15/16xd	−1/16	$1.84	—	4.5
14⅞	1⅛	Transworld Corp $5	11⅛	−⅛	20c	—	1.1
27⅞	14⅞	TRINOVA Corp.	23⅞	−1⅛	h$1.00	—	2.6
24 1/16	15 3/16	♦USX $1	21⅞	−⅛	$1.20	—	3.4
19⅞	15 3/16	Union Carbide $1	18⅞	−⅛	$1.50	—	5.0
37⅞	26⅞	Utd. Technologies	33 1/16xd	−1/16	$1.40	—	2.6
38⅞	27	US West	35⅛	.....	$3.28	—	5.7
30½	17⅛	Waste Management $1	28	+¼	—	—	—
£31⅛	£20½	Whirlpool $1.0	£21⅛	−1⅛	—	—	—
37⅞	26	♦Woolworth $3½	28⅞	.....	$1.32	—	2.8

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
691p	362p	ABM Gold Corp	441p	−13	—	—	—
21½	10p	♦Abbot Energy Corp.	28½	+¼	—	—	—
18¼	506p	♦Amer. Barrick Res.	16¼	+¼	—	—	—
136p	32p	Amer. Dalecc	81¼p	−½	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*£11½	804	Prudential	£11½	+⅛	†29.0	—	3.5	—
598	433	Refuge 5p	597	+4	15.75	—	3.6	—
595	423	Royal	588xd	.....	†Q15.5	—	3.6	—
110	93	Sabre Ins. Invs.	110	.....	—	—	—	—
*345	274	Sedgwick Group 10p	296	–2	12.0	1.7	5.6	12.6
339	207	Steel Burrill J.10p	243	+4	19.0	2.0	5.1	13.5
668	403	Stewart Wr. 20p	638	.....	♦13.0	2.0	2.9	21.9
612	377	Stenge Hldgs 20p	582	.....	†16.0	2.5	1.6	32.9
£17¼	645	Sun Alliance	£12¼	.....	†23.5	—	2.7	—
£13	929	Sun Life 5p	£13xd	+⅛	†28.5	—	3.0	—
£69½	£39	♥Taisho M EDR	£49¾	+1¾	gQ10%	—	0.9	—
£22¼	£14½	Torchmark $1.00	£18¾	.....	Q$1.00	—	3.3	—
390	235	Trade Indemnity	390xd	.....	14.3	—	1.5	—
£34	£24¾	Travelers $1.25	£27	–⅛	$2.28	—	5.2	—
£30¼	£22¾	USF & G Corp $2.50	£24¼	–⅛	Q$2.48	—	6.3	—
£33¾	£20¾	USLIFE Corp. $1.0	£23¾	+⅛	Q$1.20	3.2	3.1	5.2
735	555	♦Utd Friendly B 10p	735	+5	21.0	—	4.0	—
464	345	Willis Faber 12½p	418xd	+3	†10.75	2.4	3.5	15.9
128	41	Windsor Secs. 10p	115	.....	10.7	1.5	0.8	—

LEISURE

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
35½	11½	♦A & M Group 10p	24	–½	—	—	—	♦
242	181	Airtours 10p	192	–3	R5.4	2.5	4.0	14.0
*549	302	Anglia TV	501	+7	†Q11.25	3.3	3.1	13.9
308	78	Arley	303xr	+5	—	—	—	—
194	108	♦Aspinall Hldgs. 10p	176	+3	♦6.0	1.2	4.7	24.1
141	63	♦Aucsco 1p	110	+2	0.5	6.7	0.6	31.1
68	40	♦BCE Hldgs 5p	64½	–1	L0.0	♦	2.1	♦
300	132	Barr & W.A.T. 'A'	292	.....	18.0	1.4	3.8	23.8
58	44	Bond Media	48	.....	—	—	—	—
235	165	Boosey & Hawkes	230	.....	—	—	—	—
83	45	♦Border T.V.	68	–1	1.4	♦	3.2	♦
*439	43½	Brent Walker 10p	429	+17	†q8.5	2.2	3.3	20.1
122	102	Do 6pc.Cv.Cm.Rd.Pf.	121	+2	6.0	—	6.8	—

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*62	6	Eglinton Expln. I.R.5.	25	–1	—	—	—	—
41	15	Do. Warrants	17	.....	—	—	—	—
186	101	Far East Res. 10p	166	+3	—	—	—	—
110	30	Gardner (J.) 5p	110	+7	R1.25	2.3	1.6	38.1
53	29	Honorbilt Group 5p	47	+2	—	—	—	39.5
133	115	Leading Leisure 5p	121	–2	0.9	3.1	1.0	35.0
90	68	Lynx Tech. 5p	85	.....	b—	—	—	9.8
180	115	Medirace 10p	180	.....	—	—	—	—
90	44	♥Ovoca Gold IR0.02	80	+2	—	—	—	—
82	37	Publishing Hldgs.5p	66	+2	u—	—	—	38.2
87	45½	Theme Holdings	73	.....	1.0	1.9	1.9	39.1
210	140	UPL Group 10p	220	.....	L2.41	2.8	1.6	—
140	111	Unit Group	136	.....	R4.6	2.5	4.7	(9.7)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- § No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p	98xd	.....
Craig & Rose £1	763	.....
Finlay Pkg. 5p	116xd	+4
Holt (Jos) 25p	£10¾	.....
IoM Stm. £1	383	+5
IRISH		
Fund 11¼% 1988	£100⅜xd	.....
Nat. 9¾% 84/89	£98⅞	.....
Fin. 13% 97/02	£109¼	.....
Arnotts	370	.....
CPI Hldgs	92	.....
Carroll Inds.	185	–4
Dublin Gas	40¢	.....
Hall (R. & H.)	195	.....
Heiton Hldgs.	70	.....
Irish Ropes	185	.....
Unidare	430	.....

TRADITIONAL OPTIONS

3-month call rates

Stock	p
Industrials	
Allied-Lyons	40
Amstrad	19
BAT	62
BOC Grp	50
BSR	17
BTR	36
Babcock	32
Barclays	52
Beecham	52
Blue Circle	50
Boots	30
Bowaters	50
Brit Aerospace	50
Brit. Telecom	28
Burton Ord	32
Cadburys	25
Charter Cons.	45
Comm Union	34
Courtaulds	45
FNFC	32
Gen Accident	95
GEC	22
Glaxo	200
Grand Met	50
GUS 'A'	125
Guardian	95
GKN	38
Hanson Tst.	17
Hawker Sidd	58
ICI	125
Jaguar	52
Ladbroke	45
Legal & Gen	32
Lex Service	45
Lloyds Bank	35
Lucas Inds	75
Marks & Spencer	22
Midland Bk	45
Morgan Grenfell	55
NEI	13
Nat West Bk	65
P & O Dfd	65
Plessey	20
Polly Peck	34
Racal Elect	32
RHM	35
Rank Org Ord	70
Reed Intnl	50
STC	30
Sears	16
TI	37
TSB	12
Tesco	18
Thorn EMI	65
Trust Houses	25
Turner Newall	26
Unilever	62
Vickers	20
Wellcome	42
Property	
Brit Land	30
Land Securities	50
MEPC	48
Peachey	40
Oils	
Brit Petroleum	32
Britoil	30
Burmah Oil	52
Charterhall	10
Premier	11
Shell	125
Tricentrol	11
Ultramar	26
Mines	
Cons Gold	125
Lonrho	28
Rio T Zinc	100

A selection of Options traded is given on the London Stock Exchange Report Page.

FINANCIAL TIMES

Saturday October 10 1987

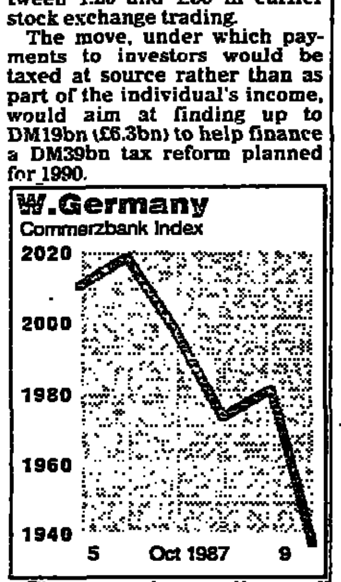
Bonn may impose tax on savings and capital investments

By Haig Simonian in Frankfurt and Peter Bruce in Bonn

WEST GERMANY is considering imposing a 10 per cent withholding tax on most savings and capital investments, a senior Federal Government official confirmed yesterday.

The news threw German financial markets into turmoil with the Commerzbank equity index falling 43.4 points to 1,936.6. Bond prices were similarly affected. By mid-afternoon, banks had stopped making markets altogether after government issues had lost between 1.20 and 1.30 in earlier stock exchange trading.

The move, under which payments to investors would be taxed at source rather than as part of the individual's income, would aim at finding up to DM19bn (£6.3bn) to help finance a DM39bn tax reform planned for 1990.



The proposals were discussed by the three coalition parties in Bonn on Thursday and a well-informed government official said yesterday reports that the tax was being planned were "largely true." It would be "broad" and would probably affect foreign as well as domestic investors in Germany.

Income from life assurance policies would be taxed at a lower rate, it is understood. The proposal would not affect German equities, which are already taxed by 25 per cent at source for residents.

It was not entirely clear whether the Government had firmly decided to go ahead with the measure. Coalition leaders meet in Bonn today to discuss financing the tax reform and yesterday's market reaction might have alarmed them.

In the equity market bank stocks were hardest hit. Deutsche Bank shares fell DM28.50 to DM667, while Dresdner Bank shed DM14 at DM348. Shares in Daimler Benz, Germany's biggest company, fell by DM56 to DM996.

"It's a disaster," Mr Juergen Mann, head of securities at DSL Bank in Frankfurt, said.

"It is very regrettable," said Mr Klaus Leckebusch, secretary of the Bavarian Stock Exchange in Munich. "The news came completely unexpectedly." "Everyone is a little bit shocked," said Mr Michael Hauck, chairman of the Frankfurt Stock Exchange.

Mr Franz-Josef Arndt, spokesman for the Federal Association of German Banks, said the plan was "a negative step as far as the banks were concerned. We fully agree with the idea of tax reform, but the best way to do it is by reducing subsidies."

There are considerable doubts as to the efficacy of the proposal. One economic expert in Chancellor Kohl's Christian Democratic Party regarded such a tax with "great scepticism" because savers and investors would find other instruments to get around it.

State pension to rise by £1.65 for single people

BY PHILIP STEPHENS AND ERIC SHORT

THE BASIC state pension will be increased by about £1.65 a week for a single person and £2.65 a week for a married couple from next April.

The increases are based on the year-on-year rise in the retail price index to September of 4.2 per cent.

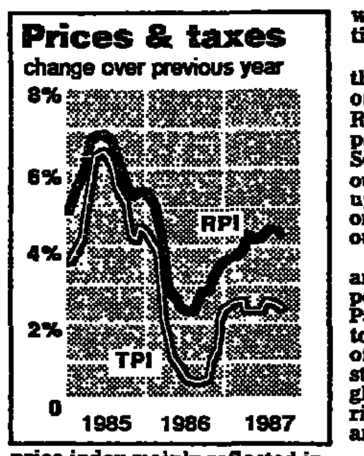
The Department of Employment said yesterday that retail prices rose by 0.3 per cent in September. That was a smaller increase, however, than seen in the same month last year, so the annual rate of inflation edged down to 4.2 per cent from 4.4 per cent in August.

The Government remains confident of a further reduction in coming months, with the Treasury forecasting that the rate will be below 4 per cent by the end of the year.

Because of the pattern of price changes in 1986, the steepest drop in the year-on-year comparison is likely to come next month. Last November the index rose by 0.8 per cent and there is nothing to suggest a similarly large increase this year.

The Treasury's optimism over prospects for the next few months is shared by City economists generally, but there is far less confidence outside Whitehall over the outlook for 1988. City economists expect an annual inflation rate of just under 5 per cent in the fourth quarter of next year.

Last month's rise in the retail



price index mainly reflected increases in the prices of clothing, household goods, beer and motor vehicles. Those were partly offset by lower prices for lamb and vegetables.

The RPI stood at 102.4 (January 1987=100) in September, against 102.1 in August.

Certain social security benefits, such as retirement pensions, widows' benefits and invalidity and disability benefits, are required by statute to be uprated once a year at least in line with the general level of prices.

Upratings now take place each April, having changed from November two years ago. For the first time since the transition, next April's increases will again take account of inflation over a 12-month period.

The legislation also lays down that the uprating will be based on the historic movement in the RPI. Because it takes the Department of Health and Social Security about 23 weeks to carry out the administration, the uprating is based on the year-on-year movement to the previous September

Details of the precise amounts of the upratings are expected to be given soon after Parliament reassembles on October 21. However, 4.2 per cent of the current weekly basic state pension of £39.50 for a single person and £63.25 for a married couple amounts to £1.65 and £2.65 respectively.

This would take the total weekly basic state pension from next April to £41.15 for a single person and £65.90 for a married couple - 20.7 per cent and 33.1 per cent respectively of the national average wage of £198.90.

The Secretary of State for Social Services is under no legal obligation to increase child benefit allowances. However, if these are increased in line with the RPI figure, it would mean a 30p increase to £7.45 a week.

In last year's public spending white paper the Treasury assumed an inflation rate of 3.75 per cent in the year to September. If benefits are uprated in line with the higher out-turn, it will add about £250m to public spending in 1988-89.

Ford agrees single-union deal for planned Dundee plant

BY MARK MEREDITH AND PHILIP BASSETT

FORD HAS reached a single-union agreement with the Amalgamated Engineering Union for a proposed £40m plant in Dundee, Scotland, to manufacture electronic components.

Plans for the plant, which will employ 450 people when it reaches full production between 1991 and 1992, were announced by Ford yesterday.

The news of the single-union agreement drew angry protests from Ford's other principal trade unions.

AEU leaders insisted that the plant, located in Scotland against intense competition from other parts of Europe, would not have been based in Britain if Ford had faced a proliferation of unions.

Mr Gavin Laird, AEU general secretary, said his union was able to reach the single-union deal because the new plant would not be part of Ford UK but a direct subsidiary of the Electrical and Electronics Division of Ford in the US.

Mr Laird, who is on the board of the Scottish Development Agency whose special inward investment section, Locate in Scotland, negotiated the deal with Ford over two years, denied that the deal was a no-strike agreement.

However, the white-collar unions Tass and ASTMS immediately announced that they would recruit in the new plant in spite of the AEU's deal.

The two unions are demanding an urgent meeting with Ford of Britain on the decision and Mr Ron Todd, general secretary of the TGWU transport workers, Ford UK's largest manual union, condemned the AEU deal and called on the company to abandon this "divisive" move and honour its multi-union agreements.

Non-AEU union leaders pointed to the low level of unionisation and reported employee disaffection at Nissan's UK factory, where the AEU has a single-union deal.

Mr Paul Talbot, ASTMS Ford negotiator, said of the Dundee decision: "The consequence of this agreement, if it is not stopped, is that effectively we will be endorsing a non-union shop."

The 100,000 sq ft plant will be in the Dundee Technology Park which was set up to bring new industries to the city, which has been hard hit by the decline of local industries, such as jute.

Mr Hugh D. Wright, director of Ford Electrical and Electronics Division, said in Edinburgh that Scotland offered the combination and attributes needed for competitive manufacturing.

Regional aid grants, though a factor, were not decisive in the choice of Scotland for the plant, which will manufacture electronic engine controls. These act rather like onboard computers and analyse the operating conditions such as engine speed, coolant temperature, spark advance, acceleration requirement and exhaust gas flow.

Chile debt-equity fund set up

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

CHILE IS to be the first country in Latin America to have an investment fund which will encourage the conversion of some of the country's debts into a basket of equities.

Midland Bank and the International Finance Corporation, a World Bank affiliate which sponsors private sector investment in developing countries, yesterday announced the establishment of a $75m (£45m) investment company, the capital of which will be formed through the conversion of debts.

They are inviting banks and other institutional holders of Chilean debt to exchange a maximum of $60m face value of loans in addition to the $7.5m which Midland and the IFC are each putting up.

Debt-equity swaps are seen as one way of reducing the debt burden of developing countries.

Chile already has by far the most active swap programme among them, having allowed the conversion of more than $2bn into equity in Chilean companies, reducing the country's external debt by more than 10 per cent. An investment fund could be attractive to a creditor bank because it will save the bank the work of finding a suitable Chilean company into which to convert debts.

The fund will take minority holdings in companies listed on Chilean stock exchanges and will also buy equities issued when Chilean state enterprises are privatised.

Its aim will be to obtain long-term capital appreciation - it will not pay dividends for five years, and will not return capital to investors for 12 years.

The fund will be managed by Chile Asset Management Company, in which Midland will have a majority holding, and advised by Inverchile, a Chilean financial services concern.

The IFC has been involved in several Third World investment funds including a debt conversion fund for the Philippines which is stalled partly because of US bank accounting problems.

Guinness granted extension to freeze assets of broker

By Raymond Hughes and Clive Wolman

A HIGH Court judge yesterday continued until October 23 an order granted to Guinness last Saturday freezing the UK assets of Mr Tony Parnes, the stockbroker involved in the Guinness affair last year, who is in custody in the US awaiting extradition proceedings.

Guinness was granted orders freezing Mr Parnes' assets, up to £3.69m, at a private hearing before Mr Justice Harman last Saturday.

On Monday, Guinness issued a writ against Mr Parnes which accuses him of receiving part of the payment made by Guinness to a company connected with Mr Alan Margulies. He is the son of Mr Ephraim Margulies, the chairman of the commodity and sugar company S and W Berisford. Mr Parnes acted as a personal stockbroker to both father and son.

The writ against Mr Parnes makes a claim to £3.35m paid by Guinness to Pictet et Cie, a Geneva bank, on July 1, 1986, and £340,000 paid in about the same month by Cifco - Compagnie Internationale de Finance et de Commerce - a Swiss company, for Mr Parnes' benefit. The £340,000 was, it is claimed, paid back to Mr Parnes out of the sum of £1.94m which was paid to Cifco by Guinness by a cheque dated July 1,1986.

In April 1986, Cifco purchased £4m of Guinness shares during the Guinness takeover battle for Distillers. These transactions, details of which emerged just four months ago, were arranged by Mr Alan Margulies, a student who is also engaged in the parallel trading of goods. He has a close personal and commercial relationship with the head of Cifco, Mr Charles Rosenbaum.

The writ against Mr Parnes also sought an inquiry into whether any part of the £3.69m was received by Mr Parnes and an order that he transfer the money to Guinness.

Asking yesterday for the orders to be continued for 14 days, Mr Richard Field, QC, for Guinness, said he was very hopeful "the entire matter" could be disposed of within that time.

The orders stop Mr Parnes removing from the jurisdiction or otherwise dealing with any money or property representing the £3.35m and £340,000, or his UK assets up to £3.69m.

The orders allow him £250 a week living expenses and money to pay for professional legal advice or representation.

Mr Parnes was also ordered to swear affidavits giving details of his UK assets, his UK home and any sale of it; any banks, discount houses or building societies within the jurisdiction where he has maintained an account within the past six months; the whereabouts of the £3.69m any transactions involving it and any property acquired with it.

100 rebels arrested

Indian peacekeeping troops in Sri Lanka arrested nearly 100 Tamil rebels after gunfights. Page 2

Fijian at Palace

Former Fijian Premier Ratu Sir Kamisese Mara met the Queen's private secretary at Buckingham Palace, after the Queen refused to meet him. Page 2

Brazil radiation leak

The radiation leak in Brazil is the worst ever in the western hemisphere, said the World Health Organisation. Page 2

THE LEX COLUMN

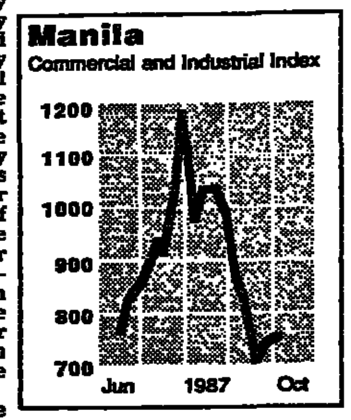
A slight lack of interest

FT Index fell 8.7 to 1858.2

It has been a confusing week for the markets, with a series of contradictory influences leaving equities unsure which way to turn. While shares are clearly able to withstand doses of bad news - such as a record one-day fall in points terms on Wall Street - good news does not have quite the dramatic effect it might. A forecast from the Chancellor that the economy would grow by 4 per cent this year kept the market happy for only a few hours. The lack of rights issues (presumably the way has now been cleared for the BP underwriting), the return to the market of cash through takeovers and yet more bid speculation gave greater sustenance to share prices than economic predictions which are largely discounted.

West Germany's signal to the world that it was not prepared to import US inflation in order to keep the dollar up suggested that all is not cosy among the G7 nations. The chance of Japan also putting up its money market interest rates cannot be ignored. If differentials are to be maintained between countries' interest rates, the pressure is on for another US discount rate rise. While it is hard to sympathise with the worries of Germany or Japan on inflation, the US must now be looking at inflation of over 5 per cent next year.

The UK inflation rate ought not to rise through that psychological barrier, and it is a sign of the gilt-edged market's resilience to inflation fears that yields, at a little over 10 per cent at the long end, are now not far above the 9.9 per cent yield reached by the US long bond yesterday. It now looks quite possible that the two will cross over, which will do little to encourage buyers already reluctant to invest in gilts. In spite of the width of the yield gap, the switching is still from gilts to shares. While that lasts, equities should not come to much harm. But it is hard to see what undiscounted good news can appear to refire the pre-July bullish mood.



Mountleigh

If the property market and the stock market are both irrational, the market for property stocks seems to be a compound of the two. Mountleigh's shares were depressed for weeks by its desire to buy Storehouse, a profitable UK retailer. Yesterday it announced it was to buy a loss-making Spanish retailer instead, and its shares jumped 8 per cent.

The recovery will be greeted with some relief by Mountleigh shareholders. The shares cracked in July after years of remarkable and continuous outperformance and have since underperformed the All-Share Index by more than 20 per cent. The root problem seems to be what might be termed the Hanson syndrome. As Mountleigh has mushroomed in size, there has been a corresponding increase in the size of deal needed to keep the momentum going. Since the Storehouse bid, there has been a question mark over Mountleigh's sense of direction, not helped by the purchase earlier this week of Bolton Steam Ship.

The welcome extended to the bid for Galerias Preciados is therefore a touch puzzling. The attraction lies in the straightforward asset play, with Mountleigh paying £153m for assets in the books at just over twice as much. But this is the company's first serious foray outside the UK, and it remains to be seen if Mr Tony Clegg's celebrated knack for pre-selling holds good in the Spanish market. Another attraction lies in the assumption that the Storehouse bid is now finally off. But if Mr Clegg could lash out £271m for PFPUT in the middle of the Storehouse bid proper, why should his Spanish purchase hinder him now?

German tax

If rumours of a new German withholding tax on domestic and foreign investors are true, it will be excellent news for the financial engineers and the Euro-DM market and a black day for the already beleaguered domestic capital markets. Germany would, in fact, only be falling into line with most other advanced markets in respect of its domestic investors, but the reimposition of the tax on foreigners - suspended in 1984 - is certainly cocking a snook at the world trend, even if the tax can be clawed back. Considering how important foreign investors have been in the bond market, the Government could be pushing up its cost of borrowing in the longer run.

The short-term political advantages may make that pain worthwhile. The extra revenue would allow the Government to duck out of nasty squabbles over subsidy cutting and there are few votes lost from causing discomfort to domestic bankers or foreign investors. By encouraging some capital flight and reducing flows into German markets, the tax could even help to calm anxieties about the German money supply and thus interest rates. However, yesterday's pre-emptive one point fall in the bond market pushed the long bond yield over seven per cent.

As the tax is unlikely to be implemented, if at all, until 1990, the sharp drop in the equity market was an over-reaction - although possibly pleasing to enemies of the proposal, who may have been responsible for the leaks. It is true the banks would lose some of their best customers to Luxembourg but only as far as their subsidiaries there, and the administrative costs should not be huge. For the time being, only gamblers play.

AIDS drugs

The stock market's ghoulish fascination with AIDS-related stocks had another outbreak this week. Fisons entered the category for the first time and its shares rose 6 per cent over the week. Wellcome was faced with talk about new competition to its established AIDS drug and its shares fell 7 per cent in two days.

For Wellcome, this kind of movement has become normal. The Pfizer drug discussed in yesterday's Lancet is novel in the sense that it appears actually to kill the virus, but, in AIDS research, promising leads turn into blind alleys with depressing regularity. The week also saw scientific comparisons of the toxicity of Wellcome's Retrovir and Hoffmann-la Roche's DDC, apparently to Wellcome's disadvantage, but the same comparison has worked the other way in the past. Meanwhile, Fisons' novel application of an old drug to AIDS-induced pneumonia means that its shares risk joining Wellcome's on the market see-saw.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES					
Appleyard Group	518	+ 18	Minty	650	+ 50
Ash & Lacy	725	+ 20	Mountleigh Group	285	+ 21
Bramall (C.D.)	660	+ 112	Neill (James)	268	+ 12
Cluff Oil	147	+ 9	Quick (H. & J.)	405	+ 20
Debfor	470	+ 15	Ruberoid	177	+ 14
Douglas (Robert M.)	272	+ 12	Share Drug Stores	315	+ 15
Jones, Stroud	430	+ 20	Smith New Court	348	+ 25
Kleinwort Benson	640	+ 29	Tomkinsons	600	+ 30
Legal & General	365	+ 18	Warburg (S.G.)	570	+ 28
Lex Service	539	+ 24	**FALLS**		
Marshalls Halifax	366	+ 13	IBL	42	− 17
Metsec	203	+ 43	P & O Defd.	703	− 14½
			Wellcome	531	− 13

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	23	73	Dallas†	F	19	66	Madeira	C	24	75	Prague	S	14	57
Algiers	S	29	84	Dublin	C	8	46	Madrid	F	20	68	Reykjavik	C	-1	30
Amsterdam	C	13	55	Dubrovnik	S	24	75	Majorca	F	25	77	Rhodes	S	25	77
Athens	F	22	72	Edinburgh	F	9	48	Malaga	F	22	72	Rio de Janeiro		-	-
Bahrain	S	33	91	Faro	C	19	66	Malta	S	26	79	Rome	F	25	77
Barcelona	C	18	64	Florence	S	22	72	Manchester	R	11	52	Salzburg	S	15	59
Belfast	F	8	46	Frankfurt	F	13	55	Melbourne		-	-	San Francisco†	C	14	57
Belgrade	S	22	72	Geneva	S	15	59	Mexico City		-	-	Santiago		-	-
Berlin	S	13	55	Gibraltar	F	19	66	Miami†	C	25	77	Seoul	S	25	77
Biarritz	S	24	75	Glasgow	C	8	46	Milan	F	20	68	Singapore	F	31	88
Birmingham	R	11	52	Guernsey	F	14	57	Montreal†	F	0	32	Stockholm	C	13	55
Blackpool	R	9	48	Helsinki	R	9	48	Moscow	S	13	55	Strasbourg	S	16	61
Bombay	S	32	90	Hong Kong	C	28	82	Munich	S	15	59	Sydney	S	20	68
Bordeaux	S	18	64	Innsbruck	F	13	55	Nairobi	F	28	82	Tangier	C	23	73
Boulogne	F	15	59	Inverness	S	9	48	Naples	F	22	72	Tel Aviv	S	30	86
Bristol	R	13	55	Isle of Man	R	8	46	Nassau		-	-	Tenerife	F	25	77
Brussels	S	14	57	Istanbul	S	21	70	Newcastle	F	10	50	Tokyo	F	21	70
Buenos Aires		-	-	Jersey	C	15	59	New Delhi	S	31	88	Toronto†	C	6	43
Budapest	S	20	68	Johannesburg	C	21	70	New York†	F	7	45	Tunis	F	27	81
Cairo	S	29	84	Las Palmas	S	26	79	Nice	S	22	72	Valencia	F	24	75
Cape Town	R	17	63	Leeds	R	10	50	Nicosia	S	26	79	Venice	S	23	73
Cardiff	C	14	57	Lisbon	C	18	64	Oporto	C	17	63	Vienna	F	18	64
Chicago†	F	9	48	Locarno	S	17	63	Oslo	F	13	55	Warsaw	S	15	59
Cologne	F	15	59	London	C	14	57	Paris	F	15	59	Washington†	S	6	43
Copenhagen	S	12	54	Los Angeles†	C	19	66	Peking		-	-	Wellington	R	13	55
Corfu	S	24	75	Luxembourg	F	11	52	Perth	C	21	70	Zurich	S	17	63

C—Cloudy Dr—Drizzle F—Fair Fg—Fog H—Hail R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures

Italy to privatise Mediobanca and reduce holding to 20%

BY ALAN FRIEDMAN IN MILAN

THE LONG-RUNNING struggle for control of Mediobanca, the leading Italian merchant bank, is finally to be resolved through an unprecedented privatisation which will reduce the Italian Government's holding from 56.9 per cent to 20 per cent.

The privatisation, which will raise around L1,500bn (£703m), will be the first in which the Italian state has surrendered majority control of a company through the sale of shares on the stock market.

Although majority state-owned through three commercial banks which in turn are owned by the state holding company IRI, the bank has largely served the interests of a tiny group of private sector shareholders.

For the past 40 years it has been the linchpin of Italian capitalism, holding a series of strategic shareholdings in a variety of Italy's best known industrial concerns.

Although the bank is 56.9 per cent owned by Banca Commerciale Italiana, Credito Italiano and Banco di Roma, a secret pact designed in the 1950s has given equal decision-making power to a tiny group of private shareholders which between them own only 6 per cent of Mediobanca.

The group is led by Fiat and Pirelli and has in the past been accused by IRI of receiving preferential treatment from the bank despite their minority presence.

Under the privatisation plan, which will be put to the IRI board next week for final approval, the current private shareholders, among which is also the merchant bank Lazard Freres, will be joined by a group of so-called "illustrious names" which between them will acquire 13.5 per cent of Mediobanca's share capital.

Among them will be Mr Carlo De Benedetti's Cofide holding vehicle, his cousin Mr Camillo De Benedetti's GAIC holding company, Mr Raul Gardini's Ferruzzi group, Mr Salvatore Ligresti's SAI insurance group, Allianz Versicherung, the West German insurance group and the Ferrero sweets manufacturing group. The advent of these groups as Mediobanca shareholders confirms the broadening in recent years of the inner circle of Italian capitalism.

No single shareholder is to be allowed more than a 2 per cent holding.

A further 23.4 per cent of Mediobanca is to be offered to the public by means of a share issue on the Milan bourse. The aim is to attract up to 400,000 small shareholders, although it is not clear if non-Italians will be permitted to buy shares.

After the privatisation sale is complete, a new pact will stipulate that two core holdings of 20 per cent of Mediobanca's share capital - one owned by the IRI banks and the other by the "illustrious" private industrial concerns - will have equal decision-making power on the board.

The idea is for this 40 per cent "nucleus" to be a permanent and institutional holding, with the other 60 per cent representing the stock market "float."

The privatisation is scheduled to take place before the end of the year.

WEEKEND FT

October 10/11 1987

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The city that rose from the dead

Only 14 years ago, it was a symbol of urban failure. Ian Hamilton Fazey describes how it regenerated itself—and the lessons Britain can learn

PICTURE a northern industrial city with unemployment over 15 per cent. Its textile mills are derelict after half a century of decline. Politicians hate local business leaders for letting the place run down, causing its social and economic problems, and the disrespect is mutual. Businessmen complain that high local taxes push up costs and force more closures; unwelcome at the town hall, they never go there. Conditioned by decline, bank managers take few risks. Investment does not exist. Able people are migrating south.

Britain's Prime Minister, Margaret Thatcher, will not be going to this place either during her tours of Britain's urban problem areas, although it has just the sort of secure bubbles from which she has been viewing the problem: a government-backed Urban Development Corporation (UDC), some inner city private housing and a small, high-tech industrial park built by English Estates. Her absence won't be surprising, however, because this city is not in Britain at all. It is Lowell, Massachusetts, 30 miles north-west of Boston and the cradle of the American industrial revolution.

Lowell today is actually very different from the picture above, for that is how things were 14 years ago when it was the symbol of US urban failure. The story of its rise and fall, and what has happened since, is a lesson worth learning.

Part of it is told daily by people like Larry Lee, a ranger in the US National Park Service, as he shepherds people into a sightseeing barge, straightens his Smokey the Bear hat, and sails with them down what locals call "the canyon." His hat and green uniform seem incongruous in a city centre, but that is how rangers dress in the more conventional national parkland of Yosemite and the Grand Canyon, so they follow suit in Lowell.

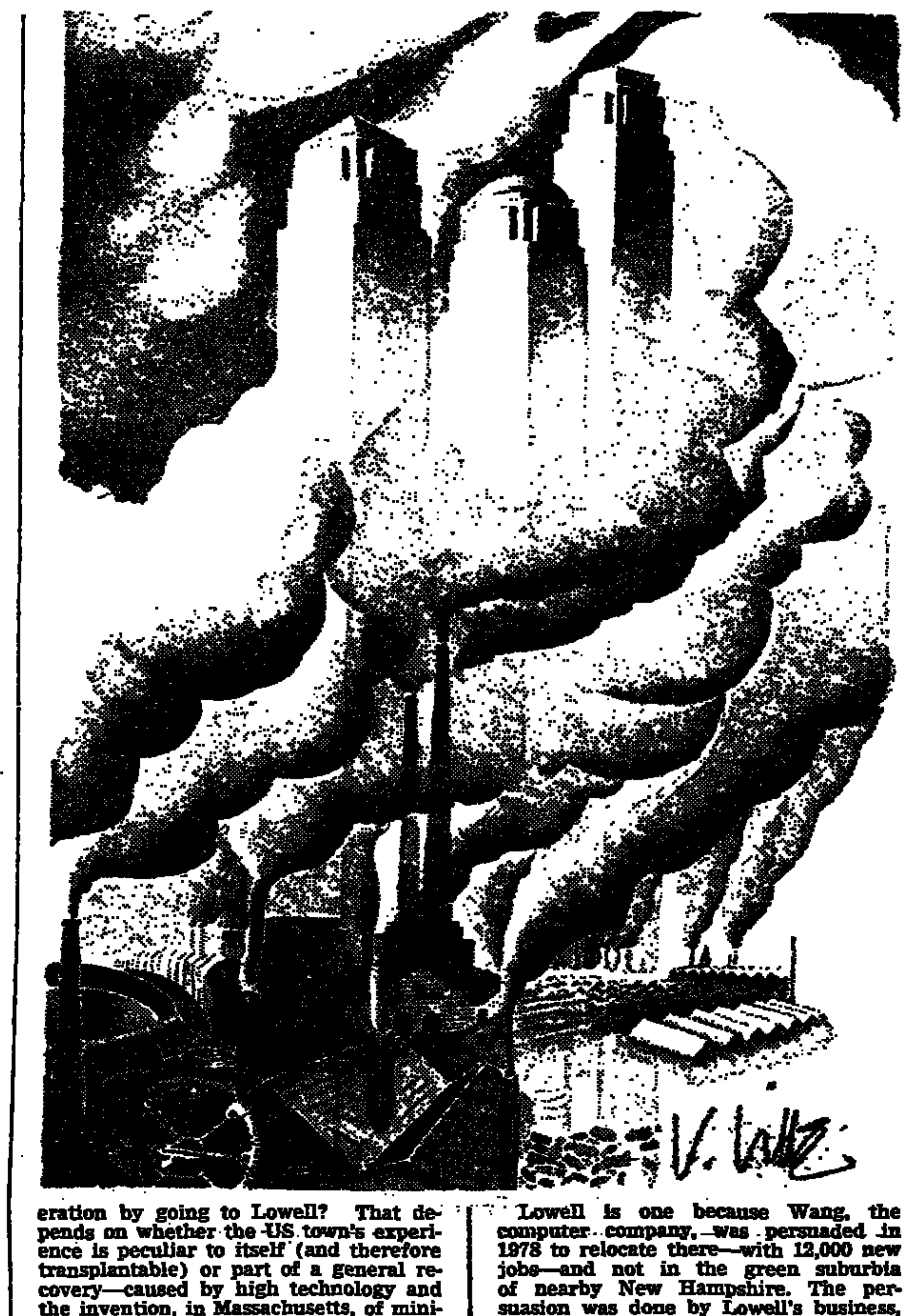
Lee is a crucial part of the Lowell lesson. Much of the city centre is a monumental museum. The canyon—actually the Lower Pawtucket Canal — is an urban one, man-made by 19th-century industrialists who built their textile mills straight down to water level for several hundred yards along each bank. Parallel to it, but at a different height, is the Hamilton Canal. It flows into the Pawtucket through channels underneath the mills, where once was generated some of Lowell's hydro power.

In Lowell's heyday, a network of power canals did similar work all over the city. Waterwheels and, eventually, turbines were driven by the natural force of the 32ft head of water that develops as the Merrimack River rushes over the Pawtucket Falls. At its height, the ultimate result of all this energy was 3m yards of cloth a week. Lowell's influence on the American way of work was massive. A solid mile of mills along the banks of the Merrimack alone prided themselves on being neither dark nor satanic: their workers were the well-paid daughters of New England farmers. But it was not to last.

Competition brought a glut of cloth and falling prices. The mill girls refused wage cuts. Irish colleens replaced them — to be surplanted by French-Canadian immigrants who would work for even less. The collapse of the economic structure took about half a century as the lower-waged American South destroyed most of New England's textile industry. The last mill on the Merrimack Power Canal struggled on until 1957. By the 1970s, the knock-on effect was total and dire. Derelict buildings dominated the city. The last shops in the centre were peppered with signs advertising closing-down sales. Lowell was dying.

Such failure has its parallels all over northern Britain today — Liverpool's docks, Sheffield's steel mills, Halifax's carpet factories, the shipyards of Tyneside, Glasgow and Belfast. Where there is not a parallel is in what has happened to Lowell since those days when business leaders never went to the city hall. The city now is the epitome of economic regeneration thanks to a voluntary partnership involving private business, local people and their politicians. Unemployment is 3.4 per cent, with skilled or reliable employees in such short supply that even the waitresses at McDonalds earn $6 an hour against a legal minimum of $3.75. At the Chamber of Commerce, Kevin Coughlin says his members fret constantly over the quality of whatever labour they can get.

Shops look prosperous. The city centre is now a Massachusetts Heritage Park and a US National Historical Park. There have been 800,000 tourists this year and the market is growing at an annual 15 per cent. Old mills are being turned into offices, apartments, museums, training centres, a university — even factories. A succession of visitors have been there to look and learn with Prince Charles, president of Business in the Community (BiC), the most prominent so far.



All this has inspired a regeneration experiment in the north of England where Halifax, a place of similar size — about 100,000 people — in West Yorkshire saw unemployment surge to 15 per cent-plus when the carpet sector of the textiles industry contracted and collapsed in the 1970s and 1980s. If Lowell's recovery can be repeated in Halifax, then BiC — the umbrella orgainsation for private sector involvement in regeneration — will extend the approach throughout the UK.

The type of voluntary partnership that has helped Lowell's rebirth does not exist where Mrs Thatcher has been touring. Antipathy between her and local (usually Labour-controlled) councils is never far away. She says that if they will not co-operate on the Government's terms, they will be by-passed via UDCs and "re-targetted" Government spending. They *blame her for a big-business* Britain that has shed tens of thousands of northern jobs since she came to office. On one visit, there were shouts of "traitor" as Stuart Bell, the Labour MP for Middlesbrough, walked through a demonstration by the National Union of Public Employees to meet the Prime Minister.

So would she learn more about regeneration by going to Lowell? That depends on whether the US town's experience is peculiar to itself (and therefore transplantable) or part of a general recovery—caused by high technology and the invention, in Massachusetts, of mini-computing—that has brought renewed prosperity to most of *New* England within 100 miles of Boston.

Dr Jim Howell, of the Bank of Boston, has studied 35 of New England's old cities. He says that only nine have undergone real restructuring of the local economy and resurgence into new markets. The characteristic these nine share is that each has become an international high-technology centre.

Lowell is one because Wang, the computer company, was persuaded in 1978 to relocate there—with 12,000 new jobs—and not in the green suburbia of nearby New Hampshire. The persuasion was done by Lowell's business, banking and political leaders—the self-same people who hated each other so much five years before. What transformed them into such an effective sales team?

Lowell's planning chief in 1978 was Frank Keefe, a Bostonian who had graduated recently from Oxford in politics, philosophy and economics. His role proved pivotal. While city councillors considered unrealisable schemes—an oil refinery for the suburbs, an out-of-town shopping mall that would further destroy the city centre, a monorail—Keefe was listening to Dr Pat Mogan, the superintendent of schools. Keefe says: "Pat kept talking about the romance of the past and telling people that their history was not all negative. Ordinary people started to like his hypothesis but official Lowell thought he was mad."

Keefe persuaded Paul Tsongas, a local candidate for the US Congress, that Mogan's idea of turning the city into a gigantic museum was a route to federal and state money. The notion of a State Heritage Park in an inner city followed. Michael Dukakis, then standing for the governorship of Massachusetts, promised $10m to fund the proposal if he won. He did, and the state park enabled Lowell to lobby Washington to designate its inner city a national park, too. This brought in $40m of federal money that transformed the downtown area and proved crucial: high-tech companies had turned down Lowell's suburban industrial parkland because they did not want their images associated with a dying city centre. Now, the city was about to be re-born.

Key figures emerged. One of them was Lowell's present mayor, Robert Kennedy, then a young city councillor. He broke the politicians' anti-business stance by joining the Chamber of Commerce to serve on a committee aimed at improving the business climate in the city centre. Another was George Duncan, chairman of the First Bank of Lowell, who attacked his eight competitor banks for their conservatism. Tsongas chipped in with a campaign to persuade individuals and businesses to withdraw their deposits from local banks unless they did something for the community.

Tsongas and Duncan then proposed a deal for the politicians and the business community—to set up between them the Lowell Development and Financial Corporation (LDFC), a quasi-public lending institution that would advance money cheaply for industrial development—at about 40 per cent of the prime lending rate but down to a floor of 4 per cent. Today, the LDFC takes a third of any project's risk, with the banks syndicating the rest among themselves at normal commercial rates—and for good profits.

The LDFC was the link between the banks and the public sector. The link to general business is the Lowell Plan, an industrial development partnership to *which local companies and professionals* subscribe. Its goal is to improve the environment in which business operates: a better downtown area, better access and parking, more private housing in the city, improved educational standards and quality of life. However, the clincher in attracting Wang was money. The Lowell City Council applied for a federal Urban Development Action Grant (UDAG) and gave the $5m it got to the LDFC so that it could *lend* it to Wang at 4 per cent over 25 years.

The repayments, like all others to the LDFC, are ploughed back into a revolving fund with 80 per cent going into an industrial development account, 10 per cent into neighbourhood improvements and 10 per cent into housing. The industrial development account advances 25 per cent of project costs up to $250,000, so benefiting small and medium-sized businesses. For harmony —and to make the partnership work—all projects are submitted to the city council for approval, even though it has no right of veto.

Another UDAG, for $2.5m, helped to attract Hilton Hotels. Again, the money was given to the LDFC to lend cheaply, but the clincher here was Wang's response to a city plea to put the company's trading headquarters next door to the hotel. This guaranteed occupancy, as several hundred people from all over the US attend Wang courses every month.

Leaders, wheelers and dealers are the key elements in Lowell's regenerative story. They built a consensus that would serve everyone's interest—whether making money, getting elected or furthering careers.

James Milinazzo, who runs both the LDFC and the Lowell Plan, says the LDFC's *funds (now $13.5m) are revolving* so effectively that the public money put in so far has helped to lever nine times as much from the private sector for the 110 projects financed to date. The next generation of projects will raise the leverage ratio on the original public investment to 15 to 1.

Keefe, a key figure in devising the funding mechanisms, is now Secretary of Administration and Finance for the Commonwealth of Massachusetts—in effect, Governor Dukakis's right-hand man. He has helped to see that state grants and other aid—mainly various tax incentives—are available now in Massachusetts only for inner city projects.

Keefe believes many parts of Britain are in the same position that Lowell was. He says: "Image has much to do with business confidence and the image of a city comes from downtown—the city centre. Downtown is the living room of the city. In Lowell, the preservation and development of downtown was critical."

In Halifax, consensus and partnership are emerging slowly — according to Richard Wade, BiC's man there — but there is little evidence yet of anything similar anywhere else in Britain, especially as the funding of regeneration remains a political shuttlecock between central and local government. Perhaps each of Britain's old towns and cities needs something like the LDFC—a body with wide support and representation from the private sector, the local auth*ority and the government.* Each could take urban programme money, or even part of a UDC's grants from government, and turn it into a revolving fund for industrial development that would get cheap money into industry.

In Lowell, money makes industrial development go round—and everyone gets some of the action. It is a lesson worth learning.

The Long View

Sharp eyes reveal sharper practice

INVESTOR PROTECTION is a fine concept, but not for the people investors may sometimes need protection from.

The unit trust industry has evidently not enjoyed its first taste of the new regulatory regime to be operated by the Securities and Investments Board, with last week's release of new draft rules. But the protests have been louder than they have been convincing.

Unit trusts have been regulated by the Department of Trade and Industry for about 50 years, and it is natural that a certain familiarity and tolerance should have grown up over the decades. The DTI keep the industry largely free of public scandal, apart from the occasional misdeeds of a corrupt fund manager or two. Unlike in unregulated commodity funds, or offshore funds, no one has been able to run off with the money.

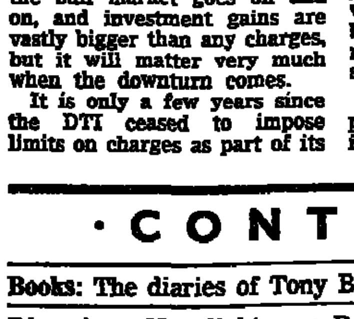
But civil servants doing two-year stints in unit trust regulation in between widely different tasks in trade and industry rarely add up to dedicated regulators. Have their eyes been sharp enough?

Now the regulators of SIB have taken a fresh look, and have apparently come to some interesting if unpopular conclusions. One instant response from the unit trust world was that the new rules appeared to have been drawn up by people who didn't know how the industry worked.

But some interesting revelations have emerged. One is that there are apparently some sloppy trustee companies around which will "back create" units dated three or four days in the past. At times of rapidly moving share prices this can create marvellous scope for profit for the less scrupulous.

Even when the trustees are up to scratch, there are significant opportunities for manipulating the pricing mechanism. Unit's are conventionally priced on a historic, previous night's basis which in volatile market conditions can provide easy timing profits for management companies running a "box" of created but unsold units. Some managers will reprice units every few hours when markets are moving fast, so as to safeguard the position of existing investors (otherwise their assets would be diluted). But not all are so careful.

Far from being ignorant of the industry's practices, it would appear that SIB has tapped a rich vein of insider information about unit trust management.



The unit trust world argues that the draft rules were drawn up by people who didn't understand the industry. But Barry Riley argues that SIB has tapped a rich vein of insider information

Significantly, too, SIB has seized on the need for disclosure of charges in contract notes so that investors can see quite clearly now much of their payments are going into underlying investments.

I can't help commenting that this is something of a belated and inadequate conversion for SIB, a body which in another area of its responsibility has been disappointingly ready to tolerate the insurance companies' obscurantism over costs, commissions and charges.

The unit trusts are understandably protesting that they are being required to make disclosures which are not made in connection with the sale of life assurance products, that in some circumstances could be competitive. But it is a step in the right direction. Any regulator with the interests of unitholders at heart should, after all, be concerned about the soaring profits of the unit trust industry. Unit trust management companies are now changing hands at record prices in relation to funds under management.

High profitability is being achieved despite sharp jumps in the pay of all concerned, from fund managers to settlement clerks. Meanwhile, there is a huge, and surely uneconomic, proliferation of trusts and management companies.

It does not look as though investors are getting the value for their money that they used to. This scarcely matters while the bull market goes on and on, and investment gains are vastly bigger than any charges, but it will matter very much when the downturn comes.

It is only a few years since the DTI ceased to impose limits on charges as part of its regulatory role. They were set free as part of the deregulation which has subsequently applied much more widely throughout the financial sector.

Since then charges have, predictably, tended to edge upwards. Partly for this reason, but also because of the bull market and the high level of sales, profits have taken off.

It has been a current phenomenon of the investment industry that managements of other types of institution such as investment trusts and pension funds, which are much less profitable, have been rushing to set up in the lucrative unit trust field.

I have absolutely no wish to see any reimposition of maximum charges on unit trusts. That would be quite the wrong approach. Competition is the best way to control excessive costs and profits. But competition can only work properly if buyers of products know what they are really paying.

It is therefore essential that investors must be made clearly aware of what they are paying, both at the front end, and in annual fees—where many managers are giving themselves powers to raise the annual management charge to 1½ or even 2 per cent. A few years ago ½ per cent was normal.

The problem with retail investment products has always been the lack of an adequate consumer lobby. The marketing men have dominated the scene, and they are none too interested in the finer points of investor *protection which might* get in the way of the selling process. Certainly the SIB proposal for forward pricing of units has received remarkably short shrift from the industry, although it is a familiar concept among US mutual funds.

Asked why the US mutual fund industry appears to thrive under forward pricing, the British unit trust people tend to argue that the US is a "different market." More accurately, it has featured a different kind of regulation. The Americans have long taken financial market regulation *much more seriously than* the British. Now that SIB is gently moving in the same direction it deserves much more support from investors at large than it appears to be getting, as the professional interest groups wind up their expensive publicity machines.

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Interest rates cloud Bourse

IF THE Paris stock market has stood up rather more solidly over the past week, its overall outlook remains generally gloomy. The CAC index is a long way from the glorious days of April when it touched 460. And with Wall Street plunging in the background, the French market remains overshadowed by its worries over interest rates.

In the bond market, the yield curve is now tilted precipitously upwards. With the Government forced to concede an average rate of 11.24 per cent on its auction last week of 25-year bonds, long-term rates now stand around four percentage points above money market rates.

The market's fear is that any levelling-out of this gradient is more likely to come from an increase in short-term rates than from a reduction at the long end of the market.

Many analysts have been bitten once this year on the question of interest rates and are shy of predicting any fall in the near term. Yet, most are convinced privately that the yield spread between French state bonds and those of West Germany or the US is now excessive.

There is no objective reason, they feel, why French government bonds should not sell at a lower yield than US Treasuries, rather than the present interest rate premium.

A number of foreign brokers are now counselling switches into French bonds for this reason, and the French Treasury itself it taking a road show to Tokyo next week to sell its bonds to Japanese institutional investors.

On the equity market, interest rate fears continue to weigh heavily, putting particular pressure on the share prices of financial companies but helping also to offset any possible favourable effect from the generally good half-yearly results being published in the industrial sector.

With St Gobain, the recently-privatised glass and packaging group, showing a rise of 98 per cent to FFr 1.29bn, Pernod-Ricard, the alcoholic drinks company, up 30 per cent at FFr 612m, and BSN, the food and brewing company, up 59 per cent at FFr 358m, the private sector is holding up well.

In the state sector—traded in the market mainly in the form

Paris

of non-voting certificates of investment—there also have been some happy surprises. Pechiney has benefited from an improved tax position and from the sharp rise in the price of aluminium, its main product, with first-half profits more than doubled to FFr 270m.

Roussel-Uclaf, the chemicals company, control of which is shared by the French state and Hoechst of West Germany, rose 66 per cent to FFr 350m, thanks largely to an exceptional gain from the sale of its Rochas perfumes subsidiary.

Brokers still are projecting an average increase of 15 to 25 per cent in corporate earnings this year, and a slowdown to 10 or 15 per cent in 1988.

The same sort of profits growth cannot be boasted by Compagnie Financiere de Suez, the banking and investment group, privatisation of which is in full swing. Profits this year are likely to be down from last year's exceptionally high FFr 2.4bn although Bernard Egloff, one of the group's three managing directors, believes they may be closer to FFr 2.4bn than to the FFr 2bn which is at the bottom of his forecast range.

This will not prevent the international offering from being heavily oversubscribed — already eight to nine times on the day the offer opened. The only question mark is over the domestic public offering.

There is little fear of being able to place all of the shares on offer, but there is a sort of "machismo" by which anything much below 2m small shareholders would make the privatisation seem a downright flop by comparison with the earlier successes of Paribas or Societe Generale.

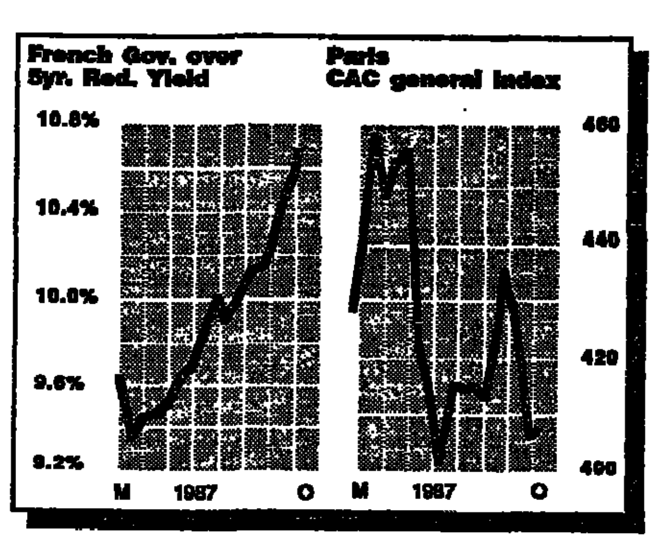
For the rest of the Bourse, however, there is a more general doubt over whether the privatisation programme as a whole is draining too much liquidity from the market.

From now until the end of 1987, three more — Suez, Matra and Union des Assurances de Paris — with a market capitalisation of around FFr 50bn, will be floated.

The Finance Ministry also wants to float a second insurance company, a bank and an industrial company by the end of next March if market conditions permit. It is anxious, however, to avoid the impression that it is accelerating the programme, something that has worried many overseas investors.

All will depend on the choices the ministry makes in the months to come. If it presses ahead and selects the biggest of the banks and industrial companies, it could end up floating companies with a combined value of as much as FFr 100bn in the seven months from September to March 1988 — as much as in the eight months from the privatisation of St Gobain in December to that of Societe Generale in July. If it chooses the soft pedal, the market value might be only about FFr 70bn.

George Graham



Guru who was misunderstood

ROBERT Prechter, the Elliot Wave Theorist whose dramatic predictions of ever-rising stock prices have been the Flavour of the Month on Wall Street for almost as many months as this five-year-old bull market has been romping along, says he was misunderstood.

When the Dow Jones Industrial Average plunged by 91.55 points on Tuesday, it was on Prechter that the traders pinned the blame. The market had been feeling queasy enough in the recent weeks even without the Elliot Wave sage's interference, of course. But it took a rumour in Prechter's recorded dial-a-guru phone service about a sudden bearish turn to deal the knock-out blow.

By Wednesday, Prechter, who is followed as closely by the institutions as by his multitude of newsletter subscribers, had issued clarifying comments. He was as confident as ever about his longer-term prediction of a Dow above 3,000 next year and above 3,600 before the final peak of the market.

His judgment that stock prices could fall by another 200 points to the 2,300 area was not, it seemed, intended as a sell signal. Rather, it was a pointer to the "ideal buy spot" for those faint-hearted investors who had yet to jump onto the stampeding bull.

In the short-term, Prechter's clarifications naturally did nothing to arrest the downward movement of the market, which continued on Thursday with only half-hearted pauses on Wednesday and Friday morning. What they did do was draw attention once again to the unabashed optimism which continues to predominate among equity investors on Wall Street.

Admittedly, many of the market analysts have, like Prechter, turned sceptical about the short-term prospects. The most common prediction for the next few months is for continued choppy trading in the 2,400 to 2,700 range. Looking ahead to next year, though, the bullish consensus remains as monolithic as ever. Profits will rise, the economy will grow, inflation will stay in check.

Most important of all, a great market like this one will roar ahead under its own momentum for one final triumphant run. Only then will the euphoric sentiment get totally out of control, setting the market up for the long-awaited collapse.

The first is the purely psychological question posed often in this column. How is it possible to claim that sentiment today is re-assuringly sceptical when every analyst and punter has such faith in his own scepticism as the strongest possible reason for buying stocks? This issue is summarised succinctly by George Soros's famous comment that, in an age of contrarians, being an anti-contrarian is the only independent way to invest.

However, leaving aside the endless game of double, triple and quadruple bluffing implied by this psychological analysis, how solid are the economic forces which are supposed to be propelling the market up further?

Certainly, profits still are rising. But everybody has been aware of this for most of the past 12 months. And profits growth in the 15-20 per cent range is not going to set the markets alight, as shown by Wednesday's report of solid 16 per cent earnings growth from General Electric, the well-run manufacturing, financial services and broadcasting giant, which comes as close as one company can to epitomising the evolving structure of the whole US economy.

As other US companies produce their third-quarter earnings reports over the next few weeks, the market could well decide that the surge in profits

Wall Street

has already been thoroughly discounted in present share prices. This leaves the questions of economic growth and long-term interest rates.

Economic growth does seem to be fairly robust at present, and almost no economist is forecasting a recession or significant slowdown until after the presidential election in November next year. Two qualifications, however, are worth noting.

First, the stock market is supposed to be one of the most reliable forward indicators of economic growth. Thus, the stock market should turn at least six to 12 months before the onset of the next recession.

Second, the present strength in the economy is attributable largely to benefits from the devaluation of the dollar since 1985. If the dollar is now stabilised, some of that strength might soon start ebbing away.

If, on the other hand, the dollar continues to fall, fears of inflation and rising interest rates will continue to wreak havoc in all the financial markets.

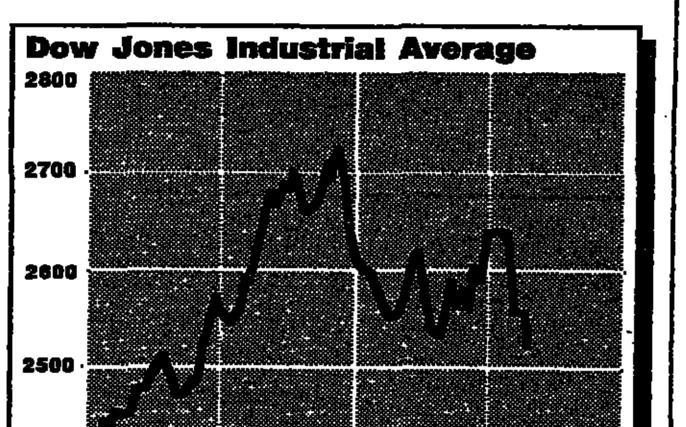
This raises the issue of interest rates. The most surprising feature of the stock market's continuing optimism has been its ability to survive the seemingly ineluctable rise in bond yields towards the 10 per cent mark. By Friday lunchtime, the Treasury' long bond was yielding 9.91 per cent, another rise in the Federal Reserve Board's Discount rate was being predicted widely, and a period of double-digit long-term interest rates seemed well-nigh inevitable.

It is worth remembering that the last time the Treasury long bond yielded over 10 per cent was November 18, 1985. On that day, the Dow Jones Industrial Average closed at 1440.02.

It could just be that the next long-term thousand point move in the market will be downwards and not upwards, as Prechter and his friends on Wall Street predict so confidently.

MONDAY	2,640.18	−00.81
TUESDAY	2,548.63	−91.55
WEDNESDAY	2,551.08	+ 2.45
THURSDAY	2,516.64	−34.44
FRIDAY	—	—

Anatole Kaletsky



Glaxo must live up to high hopes

A YEAR AGO, the bears held Glaxo shares in a vice and a 50 per cent rise in profits left them 10p lower at 930p. This year the shares have run riot, peaking at £18½, and analysts say that any failure to meet the highest expectations for the year to June 1987, when results are made known on Monday, could result in share price weakness.

The forecasts range widely, with one team of analysts going for £775m (against £612m last year) and another £829m.

The main geographical advances are expected to have been in the US, where audit data shows local currency sales growth of more than 45 per cent a year; and in Continental Europe where currency movements have been favourable. By therapeutic category, the strongest growth once again is expected to have come from the Zantac anti-ulcerant, while other notable contributors include anti-asthmatics and an injectable antibiotic.

Monday also sees the first of a clutch of economic indicators—the provisional producer price index for September. This points to the cost of raw materials and ex-factory product prices and, as such, is an indicator of future inflation rates; however, any effect on financial markets should be balanced by Wednesday's index of production industries output for August, expected to underline the growth in the UK economy.

Wednesday is also a day for old refrains. A Confederation of British Industry report on relations between industry and the City of London will deal, once again, with the Square Mile's perceived lack of understanding, and short-term motivations.

On Thursday, banker N. M. Rothschild should reveal the price at which part of the government's BP shareholding will be offered to small investors, along with the proportion of the 31.5 per cent stake which has been allocated for public subscription. The prospectus is due to be published on Tuesday, October 20, and the offer closes on Wednesday, October 28.

In food retailing, also on Thursday, renewed growth is expected from the freezer food specialist Bejam while the food,

Results due next week

service and distribution group Albert Fisher, via organic and acquisitional growth, should produce more than doubled profits for the second year running.

Bejam's profits were only 2.5 per cent higher in the year to June 1986; but analysts think that a record expansion programme, the acquisition of Victor Value, and a re-appraisal of the existing business should all have helped to lift 1986-87 profits by a fifth to £24m pre-tax.

Albert Fisher's skills are seen to be with acquisitions, the ability to motivate management, and to impose disciplined financial controls in a fragmented market. It has fans who reckon profits will be £18m before tax for 1986-87 against £8.4m previously, and that they could rise to £33m in the present year.

Thursday's interims include the half-timer from Farnell Electronics, the distributor and manufacturer of electronic components which has put in steady growth in profits over the past five years—while its shares have alternately soared and slid, along with the fortunes of the world semiconductor industry.

It might be relevant, therefore, that this week the US Semiconductor Industry Association said the industry, world-wide, is heading for a period of strong growth after one of the most painful slumps in its history.

Farnell is expected to lift its half-time profits from £10.1m to between £12m and £13m before tax, while the full year to February could show a rise from £23.4m to £27.6b.

On Friday, the focus swings back to economic news and the Public Service Borrowing Requirements (PSBR) for September. This should show an underlying improvement, due mainly to the buoyancy of tax revenues.

Economic analysts are, however, liable to counsel caution ahead of the money supply and bank lending figures which are due out in the following week. These, they say, may focus the market's attention on the credit boom and a worsening payments deficit.

William Cochrane

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1987 High	1987 Low	
FT Ordinary Index	1,858.2	−14.1	1,926.2	1,320.2	Wall St. weakness checks advance
Aberdeen Construction	349	+40	354	222	Recommended bid from Raine Inds.
Asda Property	835	+50	845	340	Bumper interim figures
Blenheim Exhibitions	880	+110	880	135	Acquisition of PEL.
Calor	545	−28	573	400	Burmah/SHV bid withdrawn
Commercial Union	453	+34	453½	268	Share stake speculation
Crystalate	279	+34	301	204	Revived takeover speculation
Empire Stores	284	+42	295	180	Speculative bid hopes
England (J.)	171	+41	208	93	Clowes Hldgs. takes 29.9% stake
Finlay (James)	125	+13	129	80	Poor int. figs arouse bid hopes
Fisons	379	+23	407	264	New drug for AIDS patients
Glaxo	£17	−⅛	£18½	£10½	Awaiting Monday's results
Grand Metropolitan	587	+17	605	439	Presentation to Japanese investors
Hewden-Stuart	150	+10	150½	71	Half-year profits exceed estimates
Higgs and Hill	427	+25	430	268½	Good interim results
Johnston Group	555	−90	650	335	Disappointing interim figures
Lonrho	362	+26½	362	223	Details of US mutual funds' holdings
Northern Foods	323	+22	330	246	Speculative bid hopes
Rothmans	439	−14	460	177	Profit-taking after recent strength
STC	315	+25	331	180	ITT sells stake to Northern Telecom

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 27%	45%	60%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	3.70	3.76	2.79	2.02	monthly	1	—	0-7
High interest cheque	6.00	6.17	4.52	3.29	monthly	1	1,000-4,999	0
High interest cheque	6.30	6.49	4.75	3.45	monthly	1	5,000-9,999	0
High interest cheque	6.70	6.91	5.05	3.67	monthly	1	10,000-49,999	0
High interest cheque	7.00	7.23	5.27	3.84	monthly	1	50,000 minimum	0
BUILDING SOCIETY†								
Ordinary share	5.00	5.06	3.81	2.77	half yearly	1	1-250,000	0
High interest access	6.75	6.75	5.09	3.70	yearly	1	500 minimum	0
High interest access	7.00	7.00	5.27	3.84	yearly	1	2,000 minimum	0
High interest access	7.50	7.50	5.65	4.11	yearly	1	5,000 minimum	0
High interest access	7.75	7.75	5.84	4.25	yearly	1	10,000 minimum	0
90-day	7.75	7.90	5.95	4.33	half yearly	1	500-9,999	90
90-day	8.00	8.16	6.15	4.47	half yearly	1	10,000-24,999	90
90-day	8.25	8.42	6.34	4.61	half yearly	1	25,000 minimum	90
NATIONAL SAVINGS								
Investment account	10.00	7.30	5.50	4.00	yearly	2	5-100,000	30
Income bonds	10.50	8.04	6.06	4.41	monthly	2	2,000-100,000	90
Deposit bonds	10.50	7.67	5.78	4.20	yearly	2	100-100,000	90
33rd issue‡	7.00	7.00	7.00	7.00	not applicable	3	25-1,000‡	8
Yearly plan	7.00	7.00	7.00	7.00	not applicable	3	20-200/month	14
General extension	7.02	7.02	7.02	7.02	quarterly	3	—	8
MONEY MARKET ACCOUNTS								
Schroder Wagg	6.58	6.78	5.11	3.72	monthly	1	2,500 minimum	0
Provincial Trust	7.34	7.66	5.77	4.19	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS§								
5pc Treasury 1986-89	8.81	7.40	6.46	5.67	half yearly	4	—	0
8pc Treasury 1992	10.22	7.95	6.43	5.18	half yearly	4	—	0
10.25pc Exchequer 1995	10.40	7.62	5.77	4.23	half yearly	4	—	0
3pc Treasury 1990	7.89	7.02	6.44	5.95	half yearly	4	—	0
3pc Treasury 1992	8.25	7.33	6.71	6.20	half yearly	4	—	0
Index-linked 2pc 1992¶	8.12	7.56	7.18	6.87	half yearly	2/4	—	0

* Lloyds Bank. † Halifax 90-day; immediate access for balances over £5,000. ‡ Special facility for extra £5,000. § Source: Phillips and Drew. ¶ Assumes 4.5 per cent inflation rate. 1 Paid after deduction of composite rate tax, credited as net of basic rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

PENDING DIVIDENDS

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Bejam Group	Thursday	2.0	2.2	2.2
Blanchards	Monday	1.5	3.0	1.6
BM Group	Tuesday	0.7	1.0	0.8
Britannia Security	Thursday	0.6	0.9	0.7
Cradley Print	Wednesday	—	0.5	—
Christy Hunt	Friday	—	—	—
Eleco Holdings	Wednesday	1.5	3.1	2.0
Fisher, Albert	Thursday	0.7	0.6	1.0
Glaxo	Monday	4.0	10.0	6.0
Lyles, S.	Monday	2.7	3.0	2.7
Modminster	Monday	2.1	4.1	2.7
Poobin's	Wednesday	4.0	10.0	4.0
Scottish Metropolitan Prop	Friday	1.8	2.4	1.8
Tay Homes	Wednesday	1.5	3.7	1.8
INTERIM DIVIDENDS				
Abbey Life	Wednesday	2.5	6.5	
Alexandra Workwear	Tuesday	0.9	1.8	
Allebone and Sons	Wednesday	0.2	1.2	
Avis	Wednesday	—	5.5	
Billam, J.	Thursday	1.8	2.4	
Blaichi Tin	Wednesday	—	0.7	
British Island Airways	Thursday	—	2.0	
Brown and Jackson	Tuesday	—	—	
Caparo Industries	Thursday	0.7	0.9	
Dalyn Packaging	Thursday	1.0	2.5	
ERA Group	Monday	—	0.5	
Farnell Electronics	Thursday	1.3	1.5	
Gee (Cecil)	Tuesday	—	2.8	
Guthrie Corp	Wednesday	—	3.2	
Helene of London	Wednesday	0.5	1.1	
Hunting Petroleum	Thursday	3.5	5.5	
London and Associated Inv	Wednesday	0.1	0.2	
London Atlantic Inv	Thursday	2.1	5.1	
Musterlin Group	Thursday	1.0	2.0	
Scottish Mortgage and Trust	Thursday	0.7	1.3	
Slingsby, H. C.	Monday	1.2	2.8	
Smaller Co International Trust	Thursday	—	1.4	
TDS Circuits	Thursday	2.0	—	
Tudor	Wednesday	1.0	3.0	
Turriff Corp	Wednesday	—	6.5	
UEI	Wednesday	2.1	3.8	
Walker, J. O.	Friday	2.0	3.5	

* Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated					
Abberdeen Const	383	349	340	60.07	Raine Inds
Appledore (A.&P.)	488	482	232	17.23	Highlnd Parties
Aspinall Hldgs	175	173½	185	91.00	Walker (Alfred)
Burham Group	270§	265	212	77.22	Intl Bus Commns
Berisford (S.& W.)	400*§	426	349	767.00	Assoc Brit Foods
Bremall (C. D.)	708	660	548	85.35	Avis Europe
Brown (Matthew)	786§	769	715	194.49	Scot & Newcastle
Buckleys Brew¶	192*§	228	175	28.52	Brodien
Cheshire Whlfds§	280*	270	255	14.22	Wessanen
CPU Computers	92*§	93	89½	14.92	Scoa
Equity & Law	452*§	443	350	451.80	Brierley Invs
Equity & Law	455.6	443	350	447.78	Cmpgnie Du Midi
ERIC	405*	400	300	14.00	TE Energy Res
Guinness Peat¶	115*	119	111	358.38	Equiticorp
Hampton Trust	120*	122	118	109.00	Aurora
Hill Samuel	810*	792	684	777.00	TSB
Hunslet	613	610	485	7.36	Telfos
IBL	41*	46	59	29.42	Inspect Intl
Intl Signal	250	229	219	426.90	Ferranti
Mercantile Hse¶	600§	594	498	568.80	Brit & Comwlth
Miss Sam¶	204	305	192	32.64	Blacks Leisure
Powerline Intl	188	185	153	22.86	Chloride
Pres Entertmnt¶	331§	324	241	71.41	Pleasurama
Stewart Wrighton	634½	618	500††	280.19	Willis Faber
Stone Intnl	119§	103	154½	41.19	FKI Electricals
Storehouse	454	396	349	1.82bn	Benlox
Stothert & Pitt	246½	250	117	21.00	Hollis
Tech Compt Inds	552	558	478	31.71	Baynes (Charles)
Tech for Business	175	180	149	7.10	Comb Lease Fin
Wills Group	190*§	217	186	17.15	Australian Inv Cp
Woodhse & Rixson	139	139	91	16.63	Jhnsn & Fth Bwn

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on 2.30 pm prices 9/10/87. †† At suspension. §§ Shares and cash. ¶¶ Related to NAV to be determined. ||| Loan stock. ‡‡ Suspended.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Adwest Group	June	10,400	(10,100)	22.1	(20.3)	9.4	(8.5)
Beckman A.	June	1,660	(1,440)	10.5	(9.1)	6.7	(5.7)
Ben Bailey	June	395	(215)L	—	(—)	—	(—)
Clogau Mines	Mar	490L	(1,100)L	—	(—)	—	(—)
Druck Hldgs	June	2,870	(2,320)	26.2	(20.3)	5.2	(4.4)
Goodwin	April	133L	(561)	—	(—)	0.4	(—)
Halstead James	June	4,790	(3,930)	22.3	(17.3)	6.5	(5.5)
Lloyds Chemists	June	1,930	(1,120)	7.3	(1.9)	0.8	(—)
Maunders John	June	3,050	(2,210)	28.4	(20.4)	5.7	(5.0)
Photo-me Intl	April	9,500	(6,900)	83.7	(55.2)	8.0	(5.7)
Raine Ind	June	3,770	(1,570)	4.5	(2.2)	1.4	(0.8)
St Ives Group	July	13,800	(9,800)	30.8	(20.6)	5.7	(4.5)
Samuelson	Mar	881L	(4,500)	—	(12.0)	1.6	(1.6)
Savage Group	June	2,310	(802)	15.7	(7.8)	4.5	(0.5)
Scotts Rest	Dec	972L	(350)	—	(—)	3.3	(3.3)
Shepherd Neame	June	2,830	(2,390)	—	(—)	17.5	(14.2)
TV South-West	July	2,500	(1,910)	7.3	(5.3)	2.7	(2.9)
Ulster TV	July	1,910	(2,160)	12.1	(13.2)	3.7	(2.7)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Aberdeen Cons	June	1,010	(1,650)	—	(—)
Asda Prop	June	1,400	(810)	—	(—)
Ash & Lacy	July	1,659	(1,420)	12.0	(11.6)
Ata Selection	June	337	(89)	0.7	(0.6)
Austin Reed	June	2,600	(1,400)	3.0	(2.0)
Berry Birch Noble	July	546	(477)	1.5	(—)
Bilton Percy	June	6,310	(5,410)	10.4	(9.2)
British Dredging	June	901	(730)	2.0	(1.0)
British Fittings	June	250	(190)	1.4	(1.2)
Concorde Energy	June	1,150L	(6)	—	(—)
Crean James	June	3,550	(1,600)	6.0	(5.5)
Debfor	June	1,400	(530)	1.5	(0.6)
Denistron	June	401	(229)	0.5	(—)
Finlay James	June	115L	(3,410)	2.0	(2.0)
Fortnum & Mason	Aug	70	(65)L	5.5	(5.0)
Gates Frank	June	997	(601)	—	(—)
Grampian Hldgs	June	1,640	(1,120)	1.2	(1.0)
Gresham House	June	347	(275)	2.5	(2.4)
Hendon Stuart	Aug	8,130	(4,760)	0.7	(0.6)
Higgs & Hill	June	7,770	(4,980)	3.0	(2.7)
High Gosforth	June	4	(18)	—	(—)
Ingham George	June	193	(120)	1.0	(0.7)
Jerome S.	June	872	(536)	2.0	(1.3)
Johnston Group	June	2,670	(2,620)	3.0	(3.0)
Laidlaw Thomson	June	578	(428)	1.5	(1.4)
Laing Prop	June	9,600	(7,970)	4.0	(3.5)
Lamont Hldgs	June	4,000	(2,200)	2.0	(1.5)
Lon & Edinburgh	June	15,580	(6,900)	0.7	(—)
Martin (Albert)	June	636	(525)	1.4	(1.3)
Microfocus	July	124	(482)L	—	(—)
MII	July	654	(544)	1.1	(—)
National Indust	June	59L	(134)L	—	(—)
Plumb	Aug	1,010	(529)	1.2	(—)
PML	June	843	(427)	—	(—)
Polymark	June	553	(318)	—	(—)
Quadrant Group	Aug	980	(631)	1.0	(0.8)
Quarto	June	336	(368)	1.5	(—)
Ruberoid	June	2,780	(2,410)	0.9	(0.8)
Sears	July	93,300	(81,100)	1.3	(0.9)
Silvermines	June	1,420	(1,655)L	1.5	(1.0)
Sngpore Para Rbr	June	60	(47)	—	(—)
Southend Sts	June	303	(64)	0.1	(—)
Style	Aug	1,310L	(690)L	—	(—)
Telephone Rentals	June	9,450	(8,000)	3.0	(2.7)
Thurgar Bardex	June	702	(704)	0.7	(0.6)
Tysack Turner	June	355	(280)	1.0	(1.0)
Usher Frank	July	880	(641)	2.0	(1.5)
Wlkr Greenbank	Aug	2,370	(1,830)	0.6	(—)
Ward Group	June	1,980	(1,600)	1.5	(—)
Willaire Systems	June	132	(80)	—	(0.1)
Woolfons Better	Sept	456	(184)	1.4	(—)

(Figures in parentheses are for the corresponding period.)

* Dividends are shown net pence per share, except where otherwise indicated. L Loss.

RIGHTS ISSUES

AC Holdings is to raise £9.95m via a rights issue on a one-for-one basis.

British Fittings have announced a £6.65m rights issue on a three-for-four basis at 100p.

Martin (Albert) plan to raise £5.1m via a three-for-10 rights issue at 145p.

Neill James are to raise £14.3m via a one-for-four rights issue at 225p.

St Ives Group have announced a two-for-nine rights issue to raise £30.3m at 850p.

Southend Stadium have proposed a £39m rights issue on a five-for-six basis at 100p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

American Plastic Technologies is to join the USM by way of a placing of 30.6 per cent of its shares, giving a market capitalisation of £11.7m at the placing price of 61p a share.

Classic Thoroughbreds are to join the Irish Smaller Companies Market via an offering of 6,666,666 ordinary shares at 30p and a rights to subscribe 3,333,333 ordinary shares at 30p.

Erskine House will satisfy an acquisition by a placing on behalf of the vendors of 607,595 new ordinary shares at 300p per share.

Helical Bar is to strengthen its capital base through a £18.9m placing.

ISA International are to join the Stock Market via a placing of 6.7m shares at 80p.

PE Kemp is to make its debut on the Third Market via a placing of 700,000 shares at 60p.

Royal Insurance is to seek a full listing on the New York Stock Exchange.

Sotheby's is to proceed with a share offering which will give the US parent of this London based auction group a market capitalisation of £400m.

Stanhope Properties are to join the USM via an offer for sale by tender which will value the company at £200m.

TIP Europe is planning a Stock Market flotation to raise £25m via an offer for sale.

Nerves stay calm

LIKE THE dog that did not bark in the night, the London equity market was interesting this week mainly for what it did not do. With relatively little news on the domestic corporate and economic fronts, the major forces impinging on market sentiment came from overseas, and they were hardly inspiring.

An upward nudge in West German interest rates was followed by a one-day drop of 91 points in the Dow Jones Index and then by a rise in US prime lending rates.

A small mid-week dip in the UK equity indices showed that London was not entirely immune to the transatlantic nervousness produced by global rising interest rate pressures. But, on the whole, the City adopted a remarkably sanguine attitude—as indeed, it has to bad news generally over the past few weeks.

London is looking pretty stable, and that is an encouraging backdrop for the record £7.5bn British Petroleum share sale which will get into top gear over the next two weeks. The robustness of the market is due in no small measure to the rise in base rates from 9 to 10 per cent engineered by the Chancellor, Nigel Lawson, in August, and which caused so much anguish at that time.

The swallowing of that medicine, and the resultant widening differential in interest rates between the UK and other major economies, means that Britain has some degree of insulation from the latest round of international rate movements. Sterling also remains firm; and the Chancellor underlined the generally bullish view of the economy in a speech to the Tory Party conference on

London

Thursday when he forecast a 4 per cent growth rate for this year, the best performance for 14 years.

Yet, all is not entirely lovely in the domestic garden. Much of the impressive growth is due to a consumer boom which has been sucking in imports, and it is far from clear that the foreign exchange markets have assimilated fully the deteriorating trend in the balance of payments. Any change of sentiment there would feed through into pressure on British interest rates.

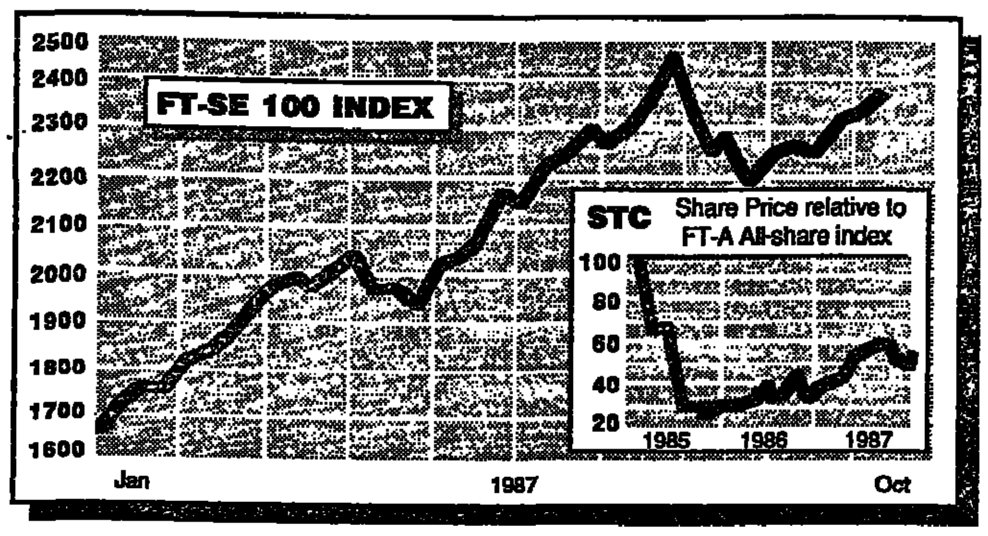
Still, barring any major international or domestic shocks (such as in the money supply figures on October 20 or trade figures on October 23), many analysts are very mildly bullish about the outlook for equities to the end of the year. Several see a 3 to 4 per cent rise as possible, which would take the FT indices to or through July's all-time peak.

What excitement there has been in the market this week has stemmed mainly from stake changes and takeover bids—be they rumoured, failed or successful. Compagnie du Midi, the French insurance company, seemed finally to have clinched victory in its takeover fight for Equity and Law, the life company, with a new £457m offer.

This persuaded Ron Brierley, the New Zealand financier, to withdraw his rival offer and sell his 29.7 per cent stake in Equity and Law to the French, thereby grossing for himself an estimated capital gain on the holding of more than £40m.

In sharp contrast, Burmah Oil and SHV, a private Dutch company, made a £820m bid proposal to Calor Gas—but then immediately and meekly withdrew it when Calor gave them the cold shoulder. None of the parties emerges from the episode with much glory.

Burmah, which has ben trying to add a third leg to its much revamped business, has been made to look hesitant and over-indulgent of Calor's feelings; investors in Calor, who saw the value of their shares fall sharply in the wake of the withdrawal, might feel their board could have given the deal more serious consideration; and SHV's attitude towards the independence of Calor, in which it has a 29.9 per cent "investment" stake, must now be in doubt.



One of the week's most intriguing deals was the purchase of a 27.8 per cent stake in STC, Britain's second biggest electronics company, by Northern Telecom of Canada, the world's fourth-largest telephone equipment group. Northern acquired the 24 per cent stake in STC long held by ITT, the US conglomerate, and then topped it up with market purchases.

Northern, which has a reputation in Europe as the quiet giant of the world telecommunications industry, has made clear that it wants to build up sales outside North America by acquisitions and alliances. For STC, the deal might mean a chance to boost US sales of its transmission equipment, where it has particular strengths.

Northern has also plain, though, that it is not interested in ICL — the computer company which contributes more than half of STC's profits — believing it is crucial to maintain its independence from any particular computing company. That will have caused wry smiles among critics of STC who in the past have expressed doubts over its much-vaunted claims for convergence between its telecommunications and computing businesses.

The week also produced the much-awaited deal to divorce Asda, the supermarkets business, from MFI, the furniture retailer it married two years ago. MFI will get its freedom in Britain's biggest management buyout—a £715m three-way deal under which it will also buy Hygena, the kitchen and bedroom unit manufacturer which is its major supplier, for £200m.

Asda is getting £505m—about £100m less than it paid for MFI and less than the market was hoping. But it will keep a 25 per cent stake in the new business and hopes this will triple in value by the time MFI returns to the stock market in three years time. That, though, is asking a lot of MFI, which has performed flatly for the past three years and which must face a degree of scepticism about the merits of integrating vertically with Hygena.

The only clear winner seems to be Malcolmn Healy, the owner of Hygena, who founded it only in 1976 and plans to starta new business in America.

Martin Dickson

Buyout ends unequal battle

FLOATING A company on the stock market can involve some difficult decisions for its owners. It gives them a higher profile with potential customers, the chance to realise some of their investment, the opportunity to use their equity to buy other companies and the ability to offer executives and employees share option schemes.

However, a stock market quotation also exposes the company to detailed scrutiny—from analysts, institutions and the press. Such attention can be extremely vexing when the company's record turns sour—and can, some businessmen believe, force companies to focus on short-term results rather than long-term investment.

In 1983, Microlease, an electronic equipment-leasing company, joined the Unlisted Securities Market via a placing. Its growth record was impressive and, in the year of flotation, it achieved a 123 per cent profits increase to £582,000.

In October 1984, however, the electronics sector turned down sharply—and Microlease's figures started to disappoint the market. The shares dropped suddenly and the price has never returned to its 1985 level.

"The business is very dependent on achieving the right utlisation levels," explains managing director Paul Rennie. "If we can beat those levels, then it has a highly-geared effect on profits; but if we fall below, our profits drop sharply.

"We found ourselves continuingly trying to explain our apparent lack of success when, in fact, we were doing quite well to make profits while our competitors were making losses. Investors' expectations were always higher than the performance we could deliver."

This week, Microlease gave up the unequal struggle. It is launching a management buyout to enable it to step down from its USM listing. Going private, said the company, would preserve its interests in the long term and protect it from the vulnerability of short-term share price depression.

'Another factor is that none of our competitors is listed," says Rennie, "and we were revealing details of our results well before they had to. That put us at a competitive disadvantage."

So, the management is offering investors 150p a share in cash, valuing the company at £5.1m compared with the £3.2m capitalisation it had when it joined the market four years ago. It will be interesting to see if this kind of deal—practised already this year by International Leisure and Lee International—increases in popularity.

"Another factor is that none USM this week, but by the more conventional route of a takeover. Technical Component Industries became the first acquisition of Charles Baynes, the shell company in which South African businessman Bruce McInnes bought a controlling stake earlier this year.

TCI had itself been built up by Hugh Sykes, also chairman of USM company Thermal Scientific. Baynes is paying £35m for the group, which joined the second tier two years ago valued at just £2.6m.

Junior Markets

There is no shortage of newcomers to replace those leaving the market. American Plastic Technologies is the fourth in a complex series of schemes put together by financiers Christopher Mills and Mark Vaughan-Lee.

They have specialised in exploiting discrepancies between US and UK tax laws. APT results from a merger between a private oil company with substantial tax losses and Sajar, a plastic injection moulder based in Ohio. The company is joining the USM via a placing of 30.6 per cent of the equity at 61p, valuing the group at £11.7m.

There was further proof this week of the continuing enthusiasm for new issues. The striking price for the tender offer of Stanhope Properties, the property company built up by Stuart Lipton, was eventually set at 250p, a near-40 per cent premium to the minimum tender price of 180p. Even at that level, the offer was 11 times oversubscribed and applications will be scaled down.

Security Archives (Holdings), the business data storage company which saw its offer-for-sale 51 times oversubscribed, ended its first day at 185p, 40 per cent above the offer price of 130p. By the end of the week, it was trading at around 225p.

Philip Coggan

Firmer prices lift silver's appeal

FOR THE private investor, the silver market has not offered anything like the glitter of gold in recent years. However, after the brief surge in prices this spring, the prospect of a stable and perhaps rising market for the next year or two seems good.

At the same time a number of interesting developments have been going ahead with the backing of new capital raised in London and elsewhere.

The main reason for cautious optimism for silver prices is that demand is expected to rise by perhaps 3 to 4 per cent annually over the next two years. This should be enough to absorb much of the world's surplus stocks, even though supplies remain plentiful.

As a result, it is expected that the present price level of $7 per oz to $8 an oz can be sustained, with perhaps a gradual rise towards $10.

This firmer outlook for prices is encouraging a number of companies with new mining operations. For the private investor, buying shares in such ventures provides a better way of showing interest in silver than purchasing the metal itself.

However, while there is a huge selection of gold stocks available, there are very few corresponding opportunities to invest in silver. Asarco, for example, is the Western world's largest producer of silver but it has many other mining interests which are reflected in its share price.

In the West, Canada and the US are among the top four silver producers and most of the larger primary silver mining companies are based in North America. They include well-known names like Hecla, Sunshine and Equity Silver.

The US produced about 36m ounces of silver last year, most of it from two very different sources. One is traditional, high-grade vein or lode deposits typified by the Coeur d'Alene mines of Idaho; the other is large base metals operations (copper, lead and zinc) which produce silver as a by-product.

However, three new underground silver projects in Montana fit neither of these categories. They are exploiting almost identical wide, flat-lying ore bodies which lend themselves to large-scale, mechanised room and pillar mining, a

Mining

method which is both efficient and low cost. This is the key to success.

Asarco's Troy mine in Montana, for example, has production costs of around $4.50 an ounce. At the nearby Rock Creek mine and at Noxon, where the grades are better, production costs could be $5 an ounce or better.

Asarco commissioned its Troy mine in 1981. Last year it produced 4.27m oz of silver and 17,000 tonnes of copper, making it the largest silver mine in the US. Year-end reserves totalled 36m tonnes grading 1.54 oz a tonne silver and 0.75 per cent copper.

Asarco also has discovered another, almost-identical deposit some 24km south-east of Troy. Rock Creek has reserves of 140m tonnes at a slightly higher grade than Troy and a $130m project could be in production by 1991.

A third, and even larger, deposit is also under evaluation. Noxon is adjacent to Rock Creek and is almost certainly a continuation of it. Mid-1987 ore reserves total 70m tonnes grading 2.3 oz a tonne silver and 0.74 per cent copper in two separate horizons.

However, more recent drilling has returned even better assay results and has located a third mineralised horizon. As a result, the owners are confident of at least doubling the reserve tonnage so that the total could exceed 200m tonnes.

Noxon was discovered by US Borax, a subsidiary of RTZ. For various corporate reasons Borax sought a partner for the project, and the 45 per cent stake it offered for sale was bought by two relatively small Canadian companies, Jascan Resources and Atlantic Goldfields, in the face of stiff competition from several north American majors.

Neither Jascan nor Atlantic attracted much enthusiasm from the Canadian financial community when they sought to raise money but, undismayed, they came to London where broker T. C. Coombs raised the necessary funds.

The Noxon deal gives each of those two companies a 22.5 per cent stake in the project (with Borax as operator) and, with production scheduled for 1991, both will become significant new silver stocks. Another interesting aspect is that they will almost certainly fund their share of project development costs by the unusual means of a silver loan.

Both Rock Creek and Noxon lie within the environmentally sensitive Cabinet Mountains Wilderness area. However, only the mountains belong to the Wilderness — not the valleys. Since both ore bodies outcrop in the valley, mining will be allowed because US law permits the claim-holder of a deposit which outcrops beyond the Wilderness to follow the mineralisation to depth, even if it extends into the Wilderness area.

This also means that all surface plant and buildings can be located in the valleys, together with the simple but large tunnels which will provide access to the orebodies.

Rock Creek could produce upward of 5m oz of silver a year when it is commissioned. Noxon will produce at least 8m oz and possibly as much as 17m if the 200m tonnes of reserves are confirmed.

These projects will not only enhance Asarco's position but will make the two Canadian companies major silver producers in their own right and raise Montana to the top of the US silver-producing league.

Ron Marshman

● *Ron Marshman is editor of Mining Journal.*

• FINANCE & THE FAMILY •

Wardley woos with patriotism

John Edwards looks at a new unit trust fund with a promotional brochure which could have been written by the Conservative Party's central office

THE FACE, or rather the promotion, of unit trusts is certainly changing. After the Royal Event, Wardley—a subsidiary of the Hongkong and Shanghai Bank—is launching a new unit trust with the aid of the Daily Express newspaper, giving away £0.5m worth of units in a circulation-boosting promotion.

Called Wardley British Winners, the new trust is designed especially to appeal to the first-time investor, with a strong dash of patriotism thrown in.

According to the promotional brochure, which could have been written by Conservative central office, Britain is viewed overseas as one of the most attractive investment areas in the world as the economy moves from strength to strength.

The New Issue—as Wardley describes the trust, taking a leaf from Royal Life—will invest in as many as 50 winning companies—all British. How are these "winners" selected? Not just on past performance, or size, according to investment manager Robin Crowther, but on good management. That is supposed to be the key that will prevent clapped out, ex-growth companies being included.

In fact, the initial portfolio includes many familiar names ranging from BP to ICI and TrustHouse Forte, plus a smattering of lesser known, smaller companies. It seems likely, therefore, that the performance of the fund will be closely aligned to the FT-SE 100 index, and indeed Wardley is predicting an income yield initially of 2.7 per cent gross, below the stock market average.

There is a fixed price offer of 25p a unit which will run until November 4, unless the total value of the funds already invested varies by more than 2.5 per cent. A 1 per cent bonus allocation will be given on investments up to November 11—an extra week to cover the Money Show in London early next month. The minimum investment, at £1,000, is not so attractive to first-time investors.

Wardley, however, has one great advantage in that, unlike Royal Life, it has a thoroughly respectable investment track record for most of its existing unit trusts with some outstanding performances by its Japanese, Australian and International Growth funds. The plan is to use that good record to continue the rapid expansion into the highly competitive unit trust market achieved during the past two years.

Robin Crowther, investment manager

Readers' Race

TECHNICAL computer problems mean the result of the FT Readers' Race has been delayed until next week. Several readers have chosen the winning stock, so the "tie-breaker" (predicting the level of the FT-SE 100 Index on September 23) has to be taken into account.

John Edwards on two TSB drives to persuade people to say 'yes'

Minor leagues

THE TSB is stepping up its long-term drive to promote unit trusts to a wider sector of the public, particularly first-time investors.

After first wooing buyers of privatisation issues with its British Growth unit trust, launched a year ago to concentrate investment in safe blue chip companies, TSB is now encouraging investors to move further down the stock market line with the launch of a Smaller Companies unit trust.

To give it popular appeal the new trust is being compared with picking a football team—"investing in winners before they reach the big league" is the promotional message. The initial team selection includes companies like Kennedy Brookes, Alexon and Bluebird Toys, the qualification being that they have a capitalisation of less than £250m. The fund will invest primarily in UK companies but can go international later.

Units will be sold at a launch price of 50p until October 28, with a minimum initial investment fixed at a lowly £250. There will be a choice of income-paying accumulation units, and an option to save regularly through the group's unitbuilder scheme, starting from £15 a month.

TSB is hardly the most adventurous unit trust group: it was one of the last of the major players to launch a European fund and is well behind its competitors in moving into smaller companies. Nevertheless its funds are particularly well suited to the first time investor. Most of th.. are above average performers there are no high flyers, bo.. no disasters either.

With only eleven funds TSB is the seventh biggest unit trust group in the UK with assets under management totalling over £1.6bn.

Final warning

TSB IS making a final effort to persuade shareholders who have not yet paid the second instalment due on the shares to say yes.

Recorded delivery letters have been sent to the 20,000 shareholders who have yet to pay up warning them that they will *forfeit* their shares if payment is not received by October 23.

The group says that 99 per cent of shareholders have now paid the second call and funds received amount to £660m, some £20m short of the total due.

After the October 23 deadline TSB will send a notice of forfeiture to shareholders who have not yet paid and arrange a refund of the first instalment of 50p a share. The forfeited shares will then be sold on the market.

By sending out recorded delivery letters, TSB hopes to trace shareholders who may have moved without giving their new address to the group. It says that anyone who does *forfeit* their shares will lose the current premium of about 40p a share and any rights to free loyalty shares.

The second and final instalment of 50p was due under the terms of the original offer in September 1986 to be paid by September 8, so TSB has given a long period of grace for late payers.

How to follow the cash trail

Richard Waters's series on reading accounts continues

PROFIT and loss accounts and balance sheets give only part of the picture of a company's activity over the past year.

As important as either is the source and application of funds statement, which shows the cash that the company generated during the year and what it did with it. Reported profits mean little if the company cannot pay its wage bills at the end of each month.

The first part of the *statement* shows the cash that has come into the business. This consists of profits from trading, any reductions in the amount of money tied up in the business, and receipts from irregular sources, such as the sale of assets, or share issues.

The trading profit, brought in from the profit and loss account, represents what is left over from sales after all the costs incurred during the year have been deducted.

Accounting adjustments have been made when arriving at profits that have nothing to do with cash. Depreciation, for instance, is the estimated fall in the value of an aset during the year. The amount is deducted from profits to reflect the using up of the asset: but no cash is actually paid out. Depreciation is therefore added back into the funds flow statement.

It may be a significant item. British Telecom, for instance, charged £1.3bn for depreciation last year—equal to around 65 per cent of pre-tax profits. The company stepped up its depreciation when it was privatised, recognising the fact that much of its equipment was rapidly becoming obsolete.

The second source of cash is a reduction of the money tied up in the business. If the amount owed to the company by trading associates (labelled "debtors" in the accounts) falls, extra cash has come in the year.

Similarly, a reduction in the amount of stock represents extra cash: the company has less money tied up in goods sitting around waiting to be sold.

These reductions in working capital may show that the company is using its resources more efficiently: it is collecting its debts earlier, or sits on stock for less time. British Telecom shaved £154m off its working capital last year.

It may, however, signal problems. The company may have made a concerted effort to boost cash to meet a shortfall from elsewhere. It may be *harassing* debtors; taking longer to pay its bills; or trading with too little stock to meet orders.

One-off fund-raising provides the third source of cash. It can take the form of shares issued or loans raised.

Borrowing is a necessary part of business. Provided it is for a purpose that will generate more profit in the future there should be no cause for concern.

"If a company is buying a new headquarters building, sell," advises one analyst.

The sale of buildings, cars or other fixed assets is also a one off event. The disposal, though boosting cash, will leave the company poorer. Is it putting the cash to a better use, or simply using it to meet a shortfall?

The second part of the statement shows how cash has been spent. Much of it mirrors the first part.

Buying fixed assets may eat up much of the money brought in during the year. Modernisation is a nettle that managers of manufacturing companies, airlines and other "capital-intensive" businesses should be prepared to grasp—but they need strong cashflow to pay for it.

British Telecom's accounts show that it spent £2bn on fixed assets last year—fractionally more than its entire trading profit. A large part of this was spent on transmission equipment and new telephone exchanges as part of its effort to modernise its network.

Extra money tied up in working capital may also soak up funds. This is the other side of the coin to companies which are slimming working capital. Increases in stock or debtors, and decreases in creditors, all tie up cash.

Cash also leaves the business when a company pays its tax bill or dividends to its shareholders, and when it repays loans.

Deducting funds that have been paid out from cash coming in gives the net inflow, or outflow, of funds. A company which shows a negative figure here is not always in trouble: it may be investing heavily for the future, which should boost future cash flow.

But a weak cashflow should lead the reader to look deeper for the causes. Unlike the profit and loss account and balance sheet, the funds flow statement should provide hints of the company's future prospects.

An onerous option

The rules for extra pension contributions are burdensome. Eric Short reports

EMPLOYEES IN company pension schemes can now go ahead and make their own arrangements to pay extra contributions to boost their pension benefits.

The Superannuation Funds Office (SFO) of the Inland Revenue has issued its final rules for the operation of Free Standing Additional Voluntary Contributions (FSAVCs).

The original draft rules were virtually unworkable and the SFO has taken note of the widespread criticism and made some amendments.

The final rules can be summed up as onerous but workable. They still involve a great deal of the work for the employer and pension scheme administrator.

The SFO has not relented over the basic restrictions on either type of AVC—in-house or Free Standing. These remain as follows:

● The total pension contributions paid by an employee to the main scheme and the AVC must not exceed 15 per cent of earnings. The definition of earnings is very wide, including bonus payments and the taxable value of fringe benefits such as company cars.

● The ultimate pension derived from the main company scheme, any previous scheme(s), other pension contracts and the AVC must in aggregate not exceed the limits laid down by the Revenue. This is based on length of service with an overall maximum of two-thirds of earnings at or near retirement.

If at retirement the pension would exceed the limit, then the main company pension would be cut back to ensure the limit is observed.

With an in-house AVC, the employer and the pension administrator are automatically responsible for ensuring that the contribution paid by the employee observes both these limits. So the contribution limit is straightforward for an employer to monitor.

The second limit is far more difficult: one suspects that it is more honoured in the breach than the observance.

With Free Standing AVCs, the monitoring problems are far more complex, because the employee can make and stop contributions every year if desired and can change the providers every year.

So the SFO is insisting that for Free Standing AVCs there must be a person or body acting as the central co-ordinator to ensure these limits are monitored. It has decided that the employer is best placed to do this, rather than the employee or the life company, even though the employer is not a party to the transaction.

Thus for an employee taking out a FSAVC, the following procedure will apply.

● The employee applies to a life company (or other provider) for an FSAVC, providing details of earnings, from the P60, and pension contributions, from the benefit statement, to ascertain whether the proposed contribution to the FSAVC is within the contribution limit.

If the employee has other AVC arrangements, this has to be taken into account in determining the maximum. The Revenue will not accept the employee's or the provider's calculation.

The employee will be required to contact the employer for confirmation that the proposed payments are within the limit. No doubt the life company will provide the necessary form.

● The employer will confirm to the life company that the limit has not been exceeded.

Employees changing providers must certify to the employer that they have cancelled payments to the previous arrangement.

This is onerous but straightforward. Now comes the tricky bit in the process:

The employer now have to check the benefit limits. However, if it is obvious that the limit is unlikely to be exceeded, say because the contribution is low and/or the scheme's pension benefits are offset by the basic State pension—known as "integrated benefits" — then the employer need only certify that this is the case.

However, if there is any doubt, then the employer or the pension administrator must ascertain the estimated maximum contribution so as not to overfund and inform the employee.

The Government Actuary has supplied the Revenue with a standardised actuarial basis for these calculations, though the employer can use any reasonable basis provided by the pension actuary.

However, this basis differs from that which the life company can use to illustrate benefits as laid down by the Lautro (Life Assurance and Unit Trust Regulatory Organisation). Under Lautro's rules, the life company cannot use the Revenue's basis or any other set of assumptions.

This is going to lead to all kinds of confusion unless Lautro is prepared to be flexible at least towards FSAVCs.

This procedure is complex enough for employees with no other pension arrangements; but if they have, they will have to provide details, including the latest valuation, before the employer can produce the figures.

Employers will have to repeat this exercise each time the employee increases contributions.

Finally, a detailed check of the benefit position will have to be made every three years when the employee gets to within 10 years of retirement.

Some life companies, such as Allied Dunbar and Royal Life, have already produced their FSAVC and intend to market them aggressively.

However, if employees feel that FSAVCs involve too much hassle, there is always the employers' in-house AVC, which is relativey trouble-free and more cost-effective.

Twenty years on

M & G, the leading unit trust group, celebrates next March the 20th anniversary of the launch of its Personal Pension fund—the first unit-linked self-employed pension contract to appear on the market.

The anniversary will come as life companies and unit trust groups gear themselves up for the launch of the new-style personal pensions for employees introduced by the 1986 Social Security Act, writes Eric Short.

The opponents of personal pensions are concentrating their criticisms on the poor and uncertain returns from contracts that are exposed to the volatility of the stock market. But M & G has demonstrated that a well-managed, widely-spread equity fund can provide not only high investment returns, but also stability; its 20 years cover the notorious 1974 bear market.

The fund is on course for an investment return averaging over 20 per cent a year compound. Over the past 15 years it has outperformed the top paying with-profit fund by a fifth. A fund invested fully in equities will do far better over long periods than a with-profit fund invested only 60 per cent in them.

M & G is promoting the anniversary now, instead of waiting until next March, because it hopes to cash in on a sales boom. All life companies are starting to promote their section 226 retirement annuity contracts before they are replaced next July by personal pensions.

M & G's life company has determined it is a good time to remind intermediaries of its successful investment record.

William Cochrane reviews the revised M & G structure

Management is the top priority

ALONG WITH OTHER fund management groups, M & G went into a share price wobble at the end of last week as generalised takeover hopes first rose — then fell when the real bid came out, for Hill Samuel.

Otherwise, the shares have held relatively steady in the four weeks since David Tucker, deputy managing director of the group, announced his plans to retire next March 31.

The group will then have lost three top men in a little over a year. Its former deputy chairman and managing director, the outspoken David Hopkinson, retired in February and Malcolm Block, responsible for international investment management, is going at the end of this month.

However, Paddy Linaker, the former deputy managing director who stepped into Mr Hopkinson's shoes, says that these are short term and coincidental considerations to a group which launched Britain's first unit trust in 1931.

"Good management remains at the top of our priorities," he said on his way to Australia at the end of last week. M & G was a byword for good investment management 25 years ago, it remains so today, and its method—"we visit companies, and talk to them" said Mr Linaker — is still what gave British management houses a good name when the equity cult was winding itself up in the middle and late 1950s.

It tends to keep its people a long time, too. Tucker may be only 48 but he will have had 20 years' service with M & G by the time he leaves. Hopkinson and Block also joined M & G in the 1960s, as did Linaker and joint deputy chairman John Fairbairn.

There is a newer echelon of middle and, prospectively, top management, notes Linaker, which came along in the 1970s. This includes James Shillingford who came in 1979. He has had a remarkable success record, says Linaker, with M & G's Dividend Fund over the past six years. The Dividend Fund is M & G's biggest at £550m.

Shillingford also runs Midland & General, a consistent top performer, launched in 1956. "In our year book we record that the original 1956 price of these units was 25p; the accumulation units are now priced at £28," says Linaker.

Shillingford will now take on M & G's £500m recovery fund, run by Tucker since its inception in 1969.

Meanwhile, says Linaker, the M & G board has defined objective for every fund in the group. Until his retirement, Tucker is expected to play his part in setting these policies in train.

But who will be the public voice of M & G? Hopkinson had strong views—about GEC management, contra-cyclical investment, the implications of the Big Bang *et al*—which he expressed, frequently and forcibly. Tucker, who promoted the break-up of the UK securities underwriting cartel this year, looked to be taking on the mantle.

Linaker says this is an M & G, and not a personal matter. "It stems from our belief in protecting the individual, as well as the institutional shareholder," he says, and expects that the responsibility will focus upon himself and Shillingford in the immediate future.

Neither does M & G expect to launch itself into the recruitment market to fill senior positions. "You won't find us recruiting any senior man, certainly on the investment side, because David Tucker is leaving," says Linaker. "We prefer to grow our own; recruiting is a hazardous business when you are dealing with people who have been around a year or two."

He does think that the group was fortunate when it recruited the "young, and very able" fund manager, Richard Hughes, from Derbyshire County Council a year ago. Here, as in M & G's investment philosophy, there is the suggestion that keeping tabs on the market, and not looking in the obvious places, pays dividends in the long run.

And what about the people who have been around "a year or two" at M & G itself? Tucker is retiring at 48 and his move begs the odd question about the Big Bang, proverbial burner up of young talent, and its potential effect on senior executives.

"The effect of the Big Bang is nothing like so obvious in investment management as in other areas of the City, but it permeates everything—it alters the people we deal with from other firms," says Linaker.

"I don't know if it has put pressure on fund managers but it has to be said that with Royal Life, Commercial Union and all the big insurance companies moving into our area we do feel it, perhaps a bit more than we did five years ago."

Linaker concludes that he has no thoughts of retiring himself (he is 53) and emphasises, once again, that the spirit of M & G is more important than one or two individuals.

BP pros and cons

IS IT worth taking up the BP share offer? The Financial Times will publish on Monday, October 19, a special pull-out supplement which will review this biggest ever share offering.

Special articles will deal with all aspects on the offer and the company aiming to help you make up your mind whether to apply and how much you are likely to benefit, if at all.

Meanwhile, the BP Share Information Office, which says it has been contacted by more than 5m potential investors, has given answers to the most frequently asked questions about the offer. These include:

Q: If I already own BP shares do I have to register?
A: No. BP shareholders on the register at September 30, 1987, with addresses in the British Isles will automatically be registered. Shareholders will be sent two forms, a red form for their preferential entitlement as a shareholder and a blue application form.

Q: What's the price of the shares?
A: This will be announced on October 15. However, it will be at a discount to the stock market price of BP shares.

Q: When can I actually apply?
A: Application forms will be sent out with the prospectus to arrive about October 20. The prospectus and application form will also be available from banks, post offices and at BP petrol stations.

Q: How many instalments do I have to pay?
A: Three: The first with your application; the second by August 30 1988; and the third by April 27 1989.

Q: Can you buy for your children?
A: Yes. Parents, grandparents and guardians can apply for the benefit of a child under 18.

Q: Can I apply jointly with another person?
A: Yes, you can apply jointly with up to three other people. But if you register jointly, you will have only one guaranteed allocation between you.

Q: When do I have to put my application for shares in?
A: Applications must be received by 10 am on Wednesday October 28.

Q: What happens if I am on holiday at the time of the offer?
A: Make arrangements for the prospectus and application form to be forwarded to your bank, stockbroker or solicitor in the UK and arrange for them to sign on your behalf.

John Edwards

Eric Short tots up the result of the biggest unit trust launch

Over the top with Royal

HOW MANY copies of the Royal Event did you receive?

Some individuals in the London area claim to have received more than 30 copies of the same promotional literature on Royal Life's unit trust promotion.

Did you also become rather bored with seeing the Royal Event advertised day after day in your newspaper and night after night on your TV screen?

Well, the Event is over and Royal Life is now assessing whether its idea of selling unit trusts through a mass saturation £5.9m advertising campaign has paid off.

At the start Royal Life was quite open about its targets but this week it announced the results—and the campaign was far from being the unqualified success predicted at the outset by Peter Baines, director and general manager of Royal Life Fund Management, and his colleagues.

One of the campaign's objectives was to promote unit trusts in general and Royal Life in particular as an equity investment vehicle. In this Royal can claim success.

It set out to attract 100,000 investors. It received 135,000 applications, beating its target by a third.

This was followed by an analysis of direct applications. Some 60 per cent were first time investors in unit trusts. A sample from intermediary outlets also showed a high proportion of new unit trust investors.

Royal Life can also claim complete success for its administrative back-up systems—the problem area for some other groups promoting new launches.

Despite receiving one-third more applications than targetted, Royal Life claims to have sent out all the contract notes by the end of this week ahead of schedule.

As a spin-off, a post-campaign survey showed a 16 per cent increase in the public's awareness of Royal as an insurance and financial services group.

However, when it comes to the crunch assessment on the amount of money received then there are questions.

It may seem churlish to criticise a unit trust launch that received £240m—a record amount for any launch.

But Royal Life set itself a target of £300m and Peter Baines, at the outset of the campaign, was confident of reaching that target. A 20 per cent shortfall cannot be regarded as a complete success.

Royal Life has already invested money received and the unit price has moved ahead slightly. Investors will have to wait and see if the group can improve its pedestrian unit investment track record.

Although the event puts Royal Life just in the top 20 unit trust groups by size of funds, it has failed to achieve another objective, not specifically quoted, of making the group overnight a major player in the industry. Its funds under management of £550m still leave it way behind the leaders.

In spite of the amount raised, it is doubtful whether Royal Life has much left from the initial charge of 5.25 per cent paid by investors after financing the promotional campaign, discount, intermediaries' commission and other expenses.

What Royal completely misjudged was the average size of *investment from the public.* It targeted for £3,000 per person. It received £1,780, in spite of a single investment of £500,000.

Its campaign to sell unit trusts as a major investment commitment for individuals evidently did not succeed. Although Royal Life will not release figures, it is obvious that most investors only put in some spare capital. It will not have made much of a dent in an individual investor's building society account.

The Royal Event was promoted in a way similar to a privatisation issue and perhaps this explains the small investments received. Privatisation has positively encouraged small investments of just a few hundred pounds.

Are we likely to see a repeat of the Royal Event in the foreseeable future? Naturally, Peter Baines will not disclose his hand at this stage but it cannot be an easy decision.

One major lesson has been learnt by Royal Life: the unit trust sector is not as completely market-driven as supposed at the campaign's start. Investors do pay attention to a group's investment record and Royal Life is trying to deal with this aspect and improve *performance.*

Finally Royal Life, in considering the future, will have to take into account that other groups have achieved proportionately better results with less spending. The Prudential's unit trust group, Prudential Holborn, sold £190m worth of units in its new International Small Companies Trust, far exceeding its target, to 80,000 investors, at a cost of around £250,000.

Royal Life also aroused bitter criticism in several quarters that its style was highly misleading to the public and gave a misleading impression of unit trusts. An unrepentant Peter Baines claimed that a survey of investors showed the majority understood the difference between unit trusts and individual share issues.

However, he accepted that the campaign as such may not have conformed to the rules on advertising proposed by the Life Assurance and Unit Trust Regulatory Organisation (Lautro). That may be as much an indictment of Lautro's rules as a judgment on the campaign.

The siren song of the Orient

The rapid growth in the economies of the Far East looks set to be maintained, says *Bob Huntley.*

IN BRITAIN government ministers dream an annual growth rate of 3 per cent. Just a little higher it becomes a nightmare. Expansion at 4 per cent a year, we are told, would overheat the economy so much that inflation would be driven sky-high by a huge consumer spending boom—much of it spent on imports.

But mention growth rates such as these to a textile manufacturer from Hong Kong or a Taiwanese toy factory owner and he will be barely able to suppress a laugh of pity. Their domestic economies have been growing at double-digit rates, and the output figures from other Asia countries, such as Thailand, Singapore and South Korea, have been almost as impressive.

It is boom time for the economies of the Orient, a phenomenom reflected by two traditional measures: firstly, sharply rising local stock markets and secondly, sharply rising marketing budgets for the unit trusts specialising in these areas.

A rash of new funds, with tags ranging from the prosaic (Pacific Basin or Far Eastern) to the lyrical (try Spirit of the East or Dragon Growth), has sprung up over the past year to capture the speculative pounds in the pockets of the British investor.

And very nicely some of them have done, for the most part beating out of sight those funds invested in the Tokyo market. *The top performing fund,* Abbey's Asian Pacific Trust, has risen by more than 89 per cent on an offer-to-bid basis over the past year, while of the newest crop, Edinburgh Fund Management's Pacific trust has shown a 47 per cent gain in six months.

With some of the Asian stock markets reaching dizzy heights, the obvious question is: can it all carry on, or will it come down with a bump?

This is not a sector where you should put Jemima's school fees or the money intended to *keep Grandad in the style* to which he has become accustomed. Nor, for that matter, is it likely to attract those who care about the moral aspect of their investments; you are unlikely to find many of the fashionable ethical investment funds salting away money in Asia's politically-dubious regimes.

While not approaching Latin America for coups and economic collapses, almost every Asian country has witnessed enormous political and financial upheaval since World War Two, whether in the form of full scale civil war (Korea and Indonesia), a massive collapse of property values (Hong Kong), or the removal of a ruthless dictatorship (the Philippines).

It is the ability of the Asian economies to recover from such setbacks that wins them fans among fund managers and sustains an optimism among investors. Raise a real or hypothetical problem with such supporters and they will come back with some well-thoughteut answers on how it can be taken in stride.

Take for example South Korea, where the authoritarian regime of President Chun Doo Whan, with one eye to intense internal unrest and another to the international exposure guaranteed by next year's Olympic Games, has promised a transition to democracy. Much of the country's phenomenal export growth—27 per cent in the year to last March—has been achieved because of the often disgracefully poor wages paid to workers making toys, shoes and televisions for westerners.

TOP PERFORMING FAR EAST AND PACIFIC UNIT TRUSTS

100 UNITS WITH INCOME REINVESTED, OFFER TO BID PRICES

NAME OF FUND	1 YEAR
Abbey Asian Pacific	189.3
Baring Eastern	178.9
Henderson Hong Kong	164.8
MIM Brit HK Perform.	175.6
S&P SEAsia Growth	171.5
Thornton Far East Opp.	165.6
Thornton Tiger	170.2
Waverley Pacif Basin	165.3

In theory it is possible to see democracy, higher wages and lower international competitiveness going hand-in-hand in South Korea. However, fund managers and others who study the region are reasonably confident that the disruption will not be too great and feel that South Korea will follow the path of its north Asian neighbour Japan.

Hong Kong's problems are different: the whole colony is being turned over to Peking in 1997. Smart money and smart people have started to emigrate, both in considerable quantity. And shares in the stock market, where prices have risen 60 per cent this year, stand on a hefty average price-earnings ratio of 17.

The risks are obvious. But in the meantime, gross domestic product will probably register a 10 per cent gain this year, as it did in 1986. And unless China's political leadership is turned upside down again, as it occurred following the Cultural Revolution in 1968, it is fair to say its interests would be better served by preserving rather than destroying Hong Kong's *next-to-naked* capitalist system.

Lumping Asia's nations together does an injustice to the region's cultural and political diversity and of course the enthusiasm of fund managers for individual economies can vary greatly.

In addition, the region as a whole may be challenged by obstacles that even its legendary resourcefulness can do little about. Apart from the fillip provided to countries such as Malaysia and Indonesia by rising commodity prices, almost every Asian economy has based its recent prosperity on the export of manufactured goods to the West and the United States in particular.

The dependence on the US is at alarming proportions for those of the don't-put-your-eggs school, with American consumers and manufacturers buying 50 per cent of Taiwan's exports and about one-third of goods shipped by Hong Kong and South Korea.

With the US trade deficit remaining dauntingly huge despite the slump of the dollar, the pile of protectionist trade bills submitted by US politicians has grown high enough to fill any factory in Taipei or Seoul. So far, the free-market sentiments of President Reagan have held sway over Congress. But Taiwanese toy manufacturers and British fund managers alike will worry if his successor in the White House is not so inclined.

CHESS

GARY KASPAROV, and Anatoly Karpov start their fourth match for the world title in Seville, Spain, on Monday despite a last minute US intervention. The city of Seattle, outbid earlier, offered to increase the prize fund to $3m more than a million ahead of Seville; but under International Chess Federation (FIDE) rules, Seattle was far too late.

Kasparov, now 24, has beaten Karpov, 36, by small but convincing margins in both their previous series and it is hard to see any reason why the result now should be different. Kasparov retains his hungry burning ambition and gives the impression of wanting to prove himself clearly the best player ever.

Karpov, often a prickly individual during his title years, has mellowed as an ex-champion.

Both at the Dubai Olympics and the Brussels Swift international, his overall performance was behind the champion's but Karpov seemed relaxed about it.

Meanwhile, the next series of eliminators to provide a 1990 challenger for Kasparov is in full swing. Britain's John Nunn was eliminated when he lost 1-3 in Budapest against Lajos Portisch of Hungary in their interzonal play-off, and Portisch becomes the final qualifier for the candidates' matches at Saint John, Canada, starting on *January 23.*

The significant feature of the candidate qualifiers is the rapid advance of the Kasparov generation, young grandmasters in their early to middle 20s. Seven of the 14 match participants are in this age group—and, ominously for the rest of the chess world, they include four of the five Russians — Ehlvest, Salov, Sokolov and Yusupov.

Of their three Western contemporaries, Seirawan (US), Hjartarson (Iceland) and Short (Britain), it is only Nigel Short who looks to have a chance of going the whole way to a match for the title. During 1985 and 1986, Short achieved more than 80 per cent in his games with fellow-grandmasters, the best percentage of any GM and ahead even of K and K.

If his single 1987 disaster at Brussels is excluded, he is still keeping up this good record against the best.

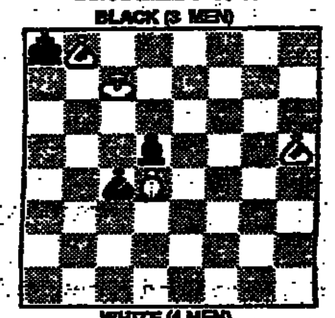
The candidate matches will be the highlight, but far from the only feature, of a month-long world chess festival at Saint John. Other announced major events there include a world amateur championship (limited to players with a FIDE rating): two international opens; and a World Blitz championship, a knock-out at five minutes per player per game where Kasparov himself will compete.

Saint John hopes this event will attract global TV coverage, and the format includes qualifying tournaments open to anyone. *The first qualifier was held* recently at Biel, Switzerland, where Joseph Gallagher, a young Londoner, won ahead of a flock of grandmasters.

Coincident with the new K v K series, Channel 4 is screening the BIS Group British Speed Championship (Saturdays at noon). Short Speelman and Nunn are among the participants in this knock-out at 25 minutes per player per game, while the format is entertaining — fine strategy, ingenious tactics, plus the occasional horrific blunder.

PROBLEM NO. 892

BLACK (3 MEN)



WHITE (4 MEN)

White mates in five moves at latest, against any defence (by N. Hoeg, 1918). Chess endgames are often about timing, and here White needs a precise move order to evade the black bishop's defences. Stalemate provides the hidden difficulty, as for instance 1 B-K8, B-N4 when 2 BxB is a draw.

Solution on Page XXI

Leonard Barden

Chess computers, Page XVIII

Eric Short reports on Equitable's return to the with-profits sector

New format on income plans

EQUITABLE Life Assurance Society, the oldest mutual life company in the world, has returned to the with-profits sector for its latest product—a revised 10 year income plan.

The basic format of the plan remains unchanged—a back-to-back arrangement of a temporary annuity and a regular premium 10-year with-profits endowment policy.

The cash sum invested is split between buying a temporary annuity and paying the first premium on the endowment. The income from the annuity pays the premiums on the endowment with the balance providing the income.

After the 10 year investment period, the endowment matures and the cash sum replaces the original capital. There should be a cash surplus. If the investor dies during the ten years, the income ceases and the capital is repaid.

However, there have been certain changes since Equitable Life last issued its previous income plan.

First, the Association of British Insurers has issued its rules on life companies making projections of maturity benefits.

Companies can no longer use their current bonus rates in these projections. Instead they have to assume that the investment returns on the life funds is 10½ per cent net in estimating the maturity value.

The underlying yield needed to support Equitable Life's current bonus rates—reversionary and terminal—is in excess of this return so, on current conditions, investors in the plan would get a surplus after 10 years, possibly at the expense of lower income payments.

The second change that has occurred is the introduction earlier this year, by Equitable Life, of a with-profits annuity.

So now the plan offers investors a choice between a higher income fixed in money terms or a slightly lower income at outset increasing each year with bonus additions.

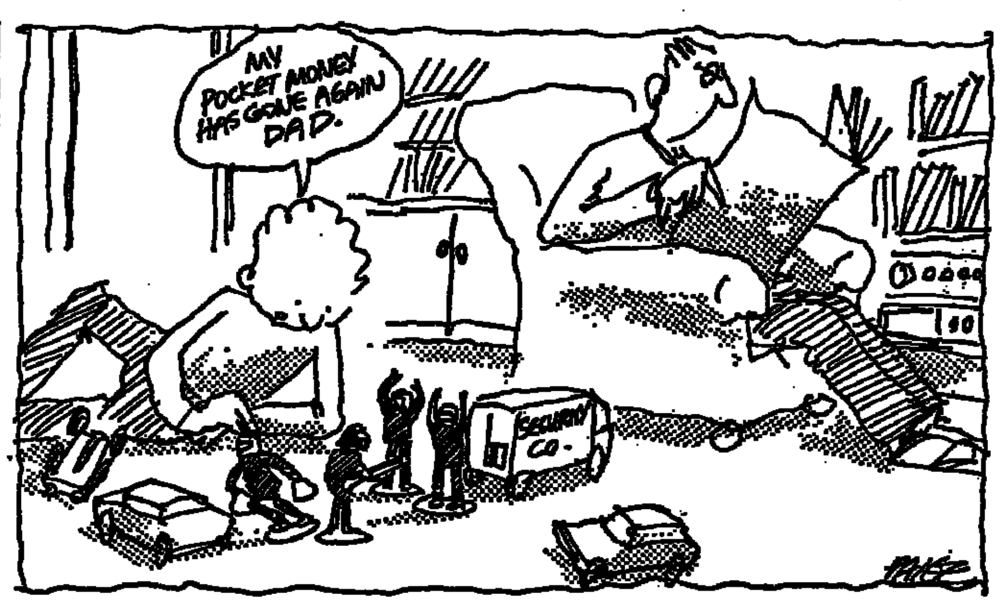
If the plan allowed for full bonus increases, the start value would be very low rising fast each year.

However, in providing stability and a reasonable initial income, the plan builds in a reversionary bonus rate of 6½ per cent in determining the initial income.

Since Equitable Life's current reversionary bonus rate is 8½ per cent, there is scope for income increases. Indeed, by adopting a with-profits approach, the plan ensures that the fall in initial income is minimal as seen from the example.

A man aged 60 investing £10,000 can either have a guaranteed fixed monthly income of £63.05 or a monthly income of £62.65 that increases each policy anniversary.

Equitable Life's salesmen are finding that these income plans are still sought by the older investor looking to boost income while still preserving the monetary value of capital. The new with-profits version should prove popular with such investors.



Mean mums and dads

GIVING children generous pocket money is not necessarily a reult of affluence, according to data produce by Gallup in an annual survey for Birds Eye Wall's, the frozen food, ice cream and sausage company.

The survey revealed a national trend downwards in the unearned income of children between five and 16, with the average weekly amount dropping from 117p to 116p. Despite this, pocket money in Sotdand—rated as one of Britain's poorer areas—rose 12 per cent in the past year to a rebord 114p.

Cash gifts from friends and relatives in Scotland also jumped 81 per cent at 94p, the highest of all the regions.

By contrast, children in the prosperous south-east—including London—have suffered a 19 per cent fall in pocket money in the past year, making their 103p weekly parental handout the lowest in Britain.

Friends and relatives have stepped in valiantly with weekly contributions averaging 46p, a rise of 28 per cent. But this puts the children's overall income only just ahead of Wales and the south-west and north-west of England.

Children in London and its surrounds show no supplementary income from Saturday jobs, paper rounds and so on. In the rest of the country, however, earned income rose 47 per cent; the greatest rise—66 per cent—was among 14-16 year olds.

This age group has recorded an average 7 per cent increase in pocket money nationwide—taking its spending power through the £2 barrier for the first time at 212p—at the expense of the five to seven year olds, who have had a fall of 22 per cent.

Parents in the Midlands and East Anglia have become the second most generous in the country, handing out 127p a week on average—a rise of 4 per cent. This is supplemented by gifts from friends and relatives averaging 52p a week, another 4 per cent increase.

However, children in these areas admit to weekly revenue of 233p, of which 54p on average is earned income.

In the country as a whole, there has been a long overdue move towards equality of the sexes—girls now get about the same total income as boys. In 1986, they received 16p less.

Dina Medland

AVERAGE WEEKLY POCKET MONEY

Year	Total pence	Boys pence	Girls pence	5-7 pence	8-10 pence	11-13 pence	14-16 pence
1980	99	99	99	59	66	109	152
1981	113	117	108	55	87	132	173
1982	95	93	96	64	74	114	128
1983	122	124	115	90	103	141	178
1984	105	101	109	42	73	113	187
1985	109	110	107	50	72	128	188
1986	117	120	114	54	77	142	198
1987	116	112	120	42	76	143	212
Change (%)	+252			+223	+230	+258	+266

Source: Wall's Pocket Money Monitor by Gallup.

David Cohen explains how shares are allocated

Bonus for employees

MEMBERS of the public who register in advance for BP shares are "guaranteed" a minimum of 100 shares, but company employees are certain to be offered considerably more. And they are assured that they will not have to pay income tax for the privilege, after a Government statement last week.

Companies joining the stock market frequently give their staff preferential rights to acquire shares. This is most commonly achieved by way of a "priority" offer, also known as a "pink form" offer because of the colour which is conventionally used to distinguish employee applications.

This type of offer does not enable employees to pick up shares more cheaply than members of the public—only to obtain more shares than the public if the issue is oversubscribed. Yet the pink form can still be a very valuable piece of paper.

This was strikingly illustrated by February's British Airways flotation. Outside investors were restricted to a maximum of 1,000 shares each, whereas directors and employees of the company were allowed up to 25,000. At the opening premium of 53p those extra 24,000 shares would have produced a gain of more than £12,000 per employee. Other privatisations have thrown up equally spectacular profit opportunities.

Tax experts have felt that these windfall profits were indistinguishable from any other employee benefit and therefore subject to income tax. Surprisingly, though, this has never been the view of the Inland Revenue. Now, however, the Government has been advised that the benefit of a prority offer almost certainly is taxable.

Instead of relishing the prospect of collecting extra tax revenue from worker-capitalists, the Government was dismayed by what it saw as an obstacle in the path of employee share ownership. So it has decided to introduce a specific statutory exemption for priority offer profits. This will be included in next year's Finance Bill, but in the meantime the Revenue will operate the exemption as if it had already been enacted.

The exemption will only apply to offers which are made wholly or partly at a fixed price—there are separate rules for tender offers. Furthermore, the exemption will be lost—and income tax charged—unless two key conditions are satisfied.

First, the shares reserved for the priority offer must not be more than 10 per cent of the total number of shares being offered for sale at a fixed price.

Second, the priority offer must not be confined to directors or higher-paid employees and must be made on similar terms to all concerned.

Neither of these conditions should pose many problems. It is doubtful whether there has been a single priority offer in recent years which would not have passed both tests.

More surprising is the fact that the tax relief will not be dependent on the shares being retained by the employee for any minimum period, not even six or 12 months. Yet the supposed rationale for the new legislation is the encouragement of employee share ownership.

It is difficult to see how that aim is furthered by granting valuable tax breaks to employee "stags" who cash in their priority allotments at the first possible opportunity. The other reasons given for the new concession — that the employees' benefit will usually be small and difficult to quantify — are not particularly convincing in a case such as British Airways.

In spite of the Government's generosity, employee shareholders may still find themselves with some tax to pay. The new rules only give dispensation from income tax, not capital gains tax. So an employee who sells some or all of his priority shares will still be liable to CGT at 30 per cent on any gain which is not absorbed by his £6,600 annual exemption.

Finally, it should be emphasised that the concession applies solely to priority offers and not to any of the other permutations of employee incentives on a flotation. At least two such incentives can trigger an immediate income tax liability.

The first is a discount offer enabling employees to subscribe for shares more cheaply than outside investors. The full value of any discount will be charged to income tax irrespective of whether the shares are sold or retained. For example, directors and employees of BA were offered up to 1,600 shares at a 10 per cent discount to the offer price of £1.25. Hence, an employee who took full advantage of this offer would have been landed with a bill for income tax on £200 (1,600 x 12.5p).

The other income tax trap on flotation arises where employees are granted options under an approved executive share option scheme. Options will be granted at the flotation price and if the shares move to an immediate premium in first dealings, then the full amount of that premium will be subject to income tax. By way of illustration, if an executive is granted an option over 10,000 shares at a 50p flotation price and dealings commence at 75p, he will have to pay tax on £2,500 (10,000 x 25p).

'Absurd' tax dropped

SOME OF the perks that people receive through their work have been taken out of the tax net over the past few days. In many cases people may not even have realised that they were paying tax on these items—or that they had been involved in a minor form of tax evasion.

Many employees are likely to have received one or more of these perks:

- Taxi or minicab rides if they work late.
- Entertainment from business contacts.
- Gifts from business contacts.

Most are unlikely to be aware that they pay tax on "free" cab rides home if they work late. These fares are reported by the employer on a fringe benefits form, known as a P11D.

The Inland Revenue then collects income tax on the fares from the employee, usually by adjusting his tax code in the following year. This means that the employee may never realise the tax is being paid—and that the "free" ride home is actually costing him money.

Late-night journeys will now be tax-free—provided a number of conditions are met. They must be after nine o'clock in the evening, occur no more than 60 times a year, and not be regular (for instance, on the same day each week for the same reason).

These rules may not be welcome to employers: they create an incentive for staff who work late to stay beyond nine o'clock, which could increase overtime payments.

The Revenue's second concession concerns a tax that many people may have been avoiding unwittingly. Up to now, any entertaining by a business contact has been something on which the guest should pay tax.

If a business lunch costs £30, for instance, the guest was liable to tax on his £15 share. Weekend or overseas trips potentially created huge tax liabilities.

If an employer knew that his staff were being entertained, he had to enter this on the P11D form—enabling the Revenue to follow it up. Employees also had to report it on their own tax returns.

This tax — referred to last week by one tax expert as "absurd" — has now been dropped, though it is not possible to reclaim any amounts that have been paid already.

Similarly, gifts received by an employer from a business associate will no longer be taxable, provided they are not worth more than £100. This only applies as long as the gift is not a reward or inducement of any kind.

The taxes on gifts and entertainment have been dropped because of the "numerous practical difficulties" in collecting them, the Inland Revenue said. Many employees may now be in the curious position of enjoying relief from a tax they never paid in the first place.

Richard Waters

BRIDGE

UNBLOCKING is a most important ploy for both declarer and defenders alike—even moderate performers recognise the need for playing a card higher than necessary in order to free the lines of communication.

On the other hand, for a declarer to prevent an unblock by the defender demands technique of the highest order. Look at this hand from rubber bridge:

N
♠ A 9 5 3
♡ 7 5 2
◇ A K 7
♣ 6 4 2

W
♠ J 7
♡ Q J 10 8 4
◇ 10 5 2
♣ J 7 5

E
♠ Q 10 8 2
♡ K 9
◇ 9 8 4 3
♣ Q 8 3

S
♠ K 6 4
♡ A 6 3
◇ Q J 6
♣ A K 10 9

South dealt at a love score and opened the bidding with one no-trump. North's raise to three concluded the auction.

West led the queen of hearts, East played the king—nothing could prevent that unblock—and South played low. Winning East's nine of hearts with his ace—a second duck is not necessary—the declarer surveyed the position. He had eight top tricks and the only hope for a ninth was to make three tricks in clubs.

For this plan to succeed, East must hold the queen with at least two low cards. An average declarer plays off ace and king of clubs; East, if he is a good player, drops his queen under the ace and defeats the contract with his hearts.

Good technique makes the contract. At trick three South crosses to the diamond king, returns the two of clubs and plays his ace if East follows with a small card. He crosses again to dummy via the diamond ace and leads another club.

If East plays low, South plays his king and leads a third club which East has to take. If East plays his queen, he is allowed to hold the trick. In either case, declarer scores three club tricks for contract.

Of course, if South ducks the nine of hearts, West overtakes and leads a third heart on which East can jettison his club queen. So, it was not only unnecessary but also fatal to hold up the ace for two rounds.

The next hand is more complicated. Technique is not enough — some deception is needed:

N
♠ K 8 5 4
♡ J 9 8 3
◇ A 6 2
♣ K Q

W
♠ Q J 10 7
♡ 7 2
◇ K 8
♣ 10 8 7 6 4

E
♠ 9 6 2
♡ 5 4
◇ Q J 5
♣ J 9 5 3 2

S
♠ A 3
♡ A K Q 10 6
◇ 10 9 7 4 3
♣ A

With North-South vulnerable, South dealt and bid one heart, North raised to four hearts and South went to six. When West led the spade queen prospects were gloomy; but the declarer, a first class player, saw that his one chance was to find the diamond king doubleton with one defender and operate an endplay.

He also saw that, if he started to draw trumps and eliminate the black suits, any defender worthy of his salt would see the threatened endplay and unblock his king when the ace was played. No, some kind of smoke-screen was needed: the ace must be cashed before the defender could see what might happen.

The declarer won the spade queen in hand and at once led a diamond to the ace. West, following with the eight, came back to his ace of clubs, led a spade to dummy's king and ruffed a spade in hand. A heart was led to the eight and the last spade was ruffed.

South now drew the last trumps with the knave and cashed the king of clubs. The elimination was complete and the stage was set for the throw-in.

Dummy exited with a diamond. West was forced to win with his king and return a club, which conceded a ruff discard, allowing dummy to throw his last diamond while the declarer ruffed in hand.

Six hearts bid and made—superbly played.

E. P. C. Cotter

A true life story . . .

I have a unit trust policy which was transferred from one assurance company to another life company. The life company informs me that upon encashment (as the policy is linked to a unit trust fund) the company will incur a liability for capital gains tax which is deducted from the gross unit value. As the policy is currently valued at about £11,000 the deduction would be in the region of £1,650. Do you consider this is correct?

If I do not take any other capital gains during a particular tax year, should I be able to use my CGT annual allowance to pay this charge or would the company have to charge this directly?

The deduction which the insurance company proposes to make is within its discretion, although you may find that there is an overriding limit written into the terms of the life policy. Such discretionary deductions are universal, but the effective rates vary: it seems to be a question of what the market will bear. The deduction does not relate to capital gains tax: it simply relates to the insurance company's own potential corporation tax liability on potential chargeable gains.

We get too many letters like yours: it seems that some insurance companies are still not explaining the terms of unit-linked life policies clearly enough.

Separation and tax

In August 1986 my wife and I separated pending divorce. At the time of separation we were separately taxed. My wife has a dividend income from her shareholding in her family's company and, as this income is unearned, it is taxed at my marginal rate of tax. Accordingly, in November 1986 I received a tax demand of some £1,200 accounting for the difference in the tax chargeable on the dividend between the basic rate and my marginal rate. The tax was charged in respect of the dividend paid to my wife in 1985. I understood myself to be liable for this payment and duly paid.

A year later I realised that I appeared to face the same problem in respect of the dividend payment in 1986 made to my wife shortly before our separation. Can you please advise me of any steps I can take to avoid another swingeing tax bill on income where my wife has enjoyed the benefit, but where I must pay the tax?

You should tell the tax inspector that, since August 1986 (mentioning the exact day, if possible) you and your wife have been "separated in such circumstances that the separation is likely to be permament." The words in quotation marks are taken from section 42(1) of the Income and Corporation Taxes Act 1970. The effect of that section of the act is that you are not taxable on income which arose to your wife after the date of your separation, but you remain assessable on income which arose to her while you were living together. We are a little puzzled that your solicitor has not explained the tax aspects to you (since presumably you have consulted a solicitor in relation to the pending divorce): maybe you have unfortunately made a bad choice of solicitor. You will find general guidance in a free pamphlet, IR30(1986)—Separation and Divorce, which is obtainable from your tax office.

Employment overseas

In September 1986 I began a two-year contract of employment in the Middle East and in March 1987 opened an "international account" with a UK building society, the interest on which is paid gross each month. On my tax return for 1986-87 I duly reported the small amount of gross interest I received before April 5 1987.

If I close the account in August 1988 and return, as planned, to the UK in the following month, will I be liable to UK income tax on all or part of the interest paid to me each month from March 1987 to August 1988?

You will be liable to UK tax on the interest received from April 1988 onwards, since extra-statutory concession B13 does not cover years of departure and arrival. If the account in question is a deposit account (that is a debt due to you), the interest received in 1987-88 should escape tax, by virtue of concession B13; if, however, it is a share account (that is not a debt), the interest/dividend payments received in 1987-88 remain taxable, as concession B13 does not cover building society share accounts. You might in fact have done better to put your money in an account subject to the RRT scheme (with the same building society). Ask your old UK tax office for the free booklet of extrastatutory concessions, IR1(1985), with its 1986 supplement. You may also like to ask for booklet IR20 (1986), entitled Residents and Non residents: Liability to Tax in the UK.

The situation would be different if you were resident in a country which has a comprehensive double taxation agreement restricting the UK's rights of taxation of interest and dividends. Rather confusingly, subsection 7 of section 343 of the Income and Corporation Taxes Act 1970 (as amended) says that "any sum which is paid by a building society by way of dividend and in respect of which the society is not required to account for and pay an amount in accordance with the regulations" that is an amount by way of reduced-rate tax (RRT) or basic-rate tax, as the case may be, "shall be treated for the purposes of Schedule D as paid by way of interest." It is to be hoped that the Chancellor will take a large pruning knife to the tangle of intricate rules governing the taxation of building society interest and dividends—and that in the meantime the Inland Revenue will publish an explanatory booklet.

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Post-dated cheque

I sent a post-dated cheque to my credit card company for the date my payment was due. The company, however, presented the cheque for payment one day early. My bank has now charged me £10 for returning the cheque. Have the company any obligation not to present the cheque until the payment due and cheque date? Can I claim the £10 charge from the company. Is it normal procedure for a bank to return a cheque unpaid when funds are in the account to cover it, rather than debit the amount on the due date? Is there anything that I can do to reclaim the £10 charge?

While your bank may have been, strictly speaking, entitled to act as it did, the failure to hold the cheque for one day and then pay it seems wholly inappropriate—possibly because the bank was favouring the credit-card company over the customer on whose account the transaction was being conducted. We suggest that you invite the bank to refund the charge and refer the matter to the Banking Ombudsman. As a matter of law we think that you are entitled to require the company to explain why it presented a cheque early—but its response is likely to be that it presents cheques when it receives them regardless of date. This is an area where the strict obligations and requirements of law and modern procedures in the banking world do not sit happily with one another; hence our suggestion to engage the interest of the Banking Ombudsman.

The house next door

I live, as owner-occupier, in a semi-detached property. Approximately 10 years ago my husband purchased the adjoining house and both properties were put into our joint names.

In October 1986 the next door property was let (furnished) on a one-year lease. My husband died in December 1986 and being the sole beneficiary under his will I acquired ownership of both properties in March 1987. The probate value of the "let" property was £65,000 and current value of the property is approximately £80,000. When the lease expires, next month, I wish to sell the second property. What is my potential tax liability?

The solicitor who will be acting for you in the sale (and who presumably acted in the administration of your husband's estate) will be able to guide you through the CGT maze. All good solicitors are prepared to advise on the tax aspects of domestic property transactions, as an integral part of their conveyancing service.

If you mean that you have never lived in the adjoining (let) house — and do not intend to do so before it is sold — then the chargeable gain will be calculated by deducting the following figures from the sale proceeds:

(i) Half the value on the day of your husband's death (with the sitting tenant);

(ii) Indexation relief on that figure from December 1986 to the month of the sale contract (not the month of completion);

(iii) Half the original cost;

(iv) Indexation relief from March 1982 to the month of the sale contract, calculated upon either (a) half the original cost or (b) half the value on March 31 1982 (with the sitting tenant, if it was in fact let on that day);

(v) The cost of transferring the property into your sole name, following your husband's death;

(vi) The cost of ascertaining the relevant values.

Talk things over with your solicitor.

Legal Notice

No. 003446 of 1987
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER of Boulton & Paul Public Limited Company
and
IN THE MATTER of The Companies Act 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 25th day of August 1987 presented to Her Majesty's High Court of Justice for (inter alia) the confirmation of the reduction of the capital of the above-named Company ("the Company") from £15,000,000 to £13,880,000 by (a) cancelling the 5% Cumulative Preference Shares and the 5½% Cumulative Preference Shares of the Company not beneficially owned by BET Public Limited Company ("the Scheme Shares") and (b) returning capital which is in excess of the wants of the Company. An amount equal to the amount of the Scheme Shares is to be applied in paying up Shares of the Company to a like amount.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before The Honourable Mr. Justice Gibson at the Royal Courts of Justice, Strand, London, on Monday the 19th day of October 1987.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 10th day of October 1987.
LINKLATERS & PAINES, (A.Robl)
Barrington House,
59-67 Gresham Street,
London, EC2V 7JA
Solicitors for the Company

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Dig out a crumpled blazer

Keith Wheatley rents a yacht for a holiday off Queensland

DAWN OVER Hamilton Island, where George Harrison receives the morning sun first at his farmhouse on the easternmost tip. Even on the tropical islands of the Barrier Reef there are some perks to being an ex-Beatle. Down at the yacht marina on the other side of Hamilton, two kilometres west, the "boat people" have two or three minutes more of a lie-in than Mr Harrison.

For those who like civilisation, even ultra-civilisation, Hamilton is the jewel in the crown of the 74 islands that make up the Whitsundays. While most of the group are uninhabited—and kept that way by the National Parks authority—Hamilton has been tastefully developed into possibly the most discreet and luxurious of Australia's tropical resorts.

Of course, one of the major beauties of a boating holiday is mobility—both geographic and social. Hamilton one night (dig out the crumpled blazer and nearly-clean white linen trousers), the next evening anchored at a deserted bay like Cid Harbour with slow dignified turtles swimming around the yacht.

We collected our charter yacht from Shute Harbour, 1,100km north of Brisbane and the main port for pleasure craft using the Whitsundays. For those — like our family — unused to Queensland scenery, the approach to Shute on switchback roads winding between cloud-shrouded mountains was more like the area surrounding an Italian lake resort than a coastal harbour.

Since the nearest shops are 15km away at Airlie Beach, one orders provisions for the boat in advance. Hampers bursting with local pineapples, mangoes and paw-paws plus more pedestrian staples such as bacon and eggs, line the jetty. Aboard our Spacesailer 36 it was reassuring to see the staff of Whitsunday Rent A Yacht in their scarlet tee-shirts doing last-minute checks and cleaning.

Before the mooring ropes are cast off and the open sea beckons, however, there comes the sailing test. No one is expected to equal John Bertrand. It is just to check that the hirer knows how to use sails, engine and anchor. Simple?

For me it was like taking a driving test in a monsoon with a fast-developing migraine. Rain squalls, a stiff 20-knot breeze and Edward, 3, and Elise, 5, battened below and shrieking "Daddy, Daddy. It's bumpy." My wife Sarah and I exhibited less than total marital harmony as we struggled with the jib sheets. Our examiner, Judy O'Donoghue, laughed it all off.

No one who has sailed a dinghy or crewed a little on a bigger boat would fail the test. The Whitsundays are safe, sheltered waters and Rent A Yacht monitor their flock carefully. Twice each day the base at Shute Harbour radioes round the entire fleet.

Even though you know the call is coming it is still a thrill to hear "Double Time" summoned over the air. The children huddled around the radio like the days before television. At 8.30 am you tell base where you are headed that day. At 4.30 pm you tell them whether you got there or not. If the mooring or anchorage is not safe for current weather then you might be advised to choose a more sheltered spot.

Of course, if you ever got into serious difficulties the radio can be picked up in an instant and help would not be far away. Much of the time one of the other charter boats, some with professional skippers aboard, would be within a couple of kilometres of your yacht.

One of the real fascinations of the Whitsundays is that with so many islands packed into an area not much bigger than metropolitan Sydney, every trip involves passing at least half a dozen little bays and inlets that you just itch to explore. It also ensures a splendid view whichever way you look. Boat trips can be visiually boring—but not in this tropical paradise.

Long Island, one of the closest to the mainland and thus a natural first stop for many charter boats, has a delightful anchorage with the suitable name of Happy Bay. Snug between two enclosing arms of coral. Double Time bobbed about 100m out from a white sand beach fringed with palms and mountainous rainforest behind.

Hamilton—A strip of tropical luxury that is both discreet and tasteful

Each charter yacht tows a sturdy tender complete with reliable outboard. We found that little buzzing trips backwards and forwards to the beach in the dinghy were one of the most fun parts of the holiday. Older children could safely be left to explore coral ledges in it, although it might be prudent to insist they use the oars, not the engine, to prevent long-distance exploring.

Long Island has one resort settlement, Whitsunday 100. Folk from visiting boats are welcomed and can use the bar and the freshwater swimming pool. Aimed at the younger market, the resort is pleasantly raucous. The bar has Space Invaders (black mark) but very cheap drinks (brownie point).

I found it a curious phenomenon of life afloat that within about an hour of being on a beach, an overwhelming urge to hire a windsurfer or a surfcat and get out on the water again came over me. We had a windsurfer with us, hired from Rent A Yacht at A$20 a day. It was a mistaken waste of money. Hiring them by the hour at island resorts is a cheaper and easier way of feeding the addiction.

Anchored at Happy Bay, we first realised how sophisticated travel arrangements could be in the Whitsundays. After eavesdropping a neighbouring boat saying on the radio that they wished to dive on the Outer Reef, we were astonished when, about an hour later, a seaplane landed nearby. The neighbours transferred by dinghy and were whisked off in a flurry of spray and propeller noise for a day of snorkelling.

Our children loved living on the boat. Elise had some experience of a sailing life but Edward next to none. The cabin they elected to share — they could have had one each — became their own special cubby house. Probably they were too young to be enthralled by the actual sailing; Elise would sit on deck humming to herself as we swished through the turquoise seas, while Edward disappeared below to sleep at the mere sight of a sail.

Safety would bother many parents but it honestly caused us less anxiety than life in a busy traffic-choked city. In the dinghy and on marina pontoons — which are much easier than a boat to fall off — they wore life-jackets. Otherwise they toddled around the deck quite happily and never came close to falling in.

They also gave us the excuse not to travel too much. As with motoring holidays, it is invariably a mistake to try to cover too much ground in the time available. We visited three islands in a week and sailed on four days.

The longest stay was on Hamilton Island. Whenever one of the 60 or so charter yachts announced that they were bound for Hamilton, base would usually respond with "Check your plastic money." It is expensive but the whole calibre of the island development is so high that one doesn't resent the extra cost.

Approaching Hamilton after a blustery crossing of the 10 km wide Whitsunday Passage — navigated by Captain Cook in 1770 — it comes as a surprise to see jets roaring overhead. The A$12m airport, built jointly by Hamilton Island developer Keith Williams and Ansett, is actually wider than the island. Part of it sticks out into the sea.

As we nosed into the marina—seldom full except at Easter and Christmas—Double Time was met by a parking attendant in a smart little canopied launch and directed to our berth. It was A$30 a night for our 36-footer, but as we looked around at the colonial-style shops, restaurants and bars fronting the circular harbour, it seemed money well spent.

Ashore, many residents tackle the hills in little hired buggies. They are similar to the caddy cars used on golf courses and a big asset when tackling the substantial peak between the marina and the main resort at Catseye Bay.

The feel of the resort is distinctly Caribbean. The three linked swimming pools have thatched bars and snackeries on small islands, with soft turf almost up to the water's edge. Just over a thick hedge is the beach—sand as white and silky as one would expect plus innumerable watery activities ranging from scuba to parascending.

Come low-water the snorkelling over the coral in the centre of Catseye Bay is as good as anywhere except the Outer Barrier Reef. Parrot fish and spotted coral trout glide by in a rainbow of fishy colour just 50m out from the shore. *All of* the Rent A Yacht boats come with a big locker full of masks and fins, while scuba gear can be hired at most of the resorts to save taking your own tanks all the way to Queensland.

No one should sail through the verdant green and blue glory of the Whitsundays without spending at least one night anchored off the uninhabited shore.

● Whitsunday Rent A Yacht is the biggest charter company operating in the area. Boats range from a Warwick 47, capable of taking eight adults on holiday, at A$550 per night, down to a Holland 25, suitable for four, at A$200 per night. There are discounts available during non-school holiday periods. Rent A Yacht's address: Shute Harbour, Queensland 4741, Australia.

The Villa Lante which owes its delightful state to the work of a successful post-war Italian businessman

Gardening

Italy's cardinal rule

BEHIND ENGLISH gardens lies the earlier example of Italian gardens, although you would not think it if you saw most of them. The majority have been neglected, destroyed or overlaid with grey-blue conifers, like glaucous pipe-cleaners. *Usually, they have* been forgotten.

The way to see the most Italian gardens is to look at prints of them, drawn for their patrons before 1650. This viewing has recently been made easy. The Antique Collectors Club of Woodbridge, Suffolk, has reissued the best general book, Georgina Masson's *Italian Gardens*, although its text is not always historically correct. Last week, Weidenfeld published Marella Agnelli's *Gardens of the Italian Villas* at £35, with photographs by a commissioned photographer which show how Italian garden design is still influential in a modern Italian setting.

The way to see rather fewer gardens on site is to dodge in and out of Rome. I have been dodging for the past week and can direct your expectations. It is now 470 years since the first great villa gardens were laid out by Raphael and his collaborators. That time is well beyond the life of green box-hedging or the ability of Italy to remain stable.

At the best-known sites, many of the buildings and fountains survive, with alterations, and enough of the ground plan is visible to suggest how the style influenced all of us. However, you cannot see an exact Renaissance garden anywhere, not least because the flowers are nowadays neglected.

We think of Renaissance gardens as green and formal, built rather than planted. But their first owners had agents to hunt for flowering plants on the Mediterranean market. The great burst of new plants in English nurseries during the 17th century had been preceded by the keen collections of Italian men of taste 100 years earlier.

By men, I mean men. The stereotype nowadays is that gardening flourishes wherever a few Englishwomen are isolated from social contact. Gardening history is thought to owe a special debt to country-loving, nature-conserving, well-off (but never prodigal) females.

A week's trip round Rome's best-preserved gardens reminds me that this stereotype is false. The great Renaissance gardens were patronised by exactly the opposite class; rich and extravagant, they hunted wild nature instead of conserving it and were supposed (at least officially) to have nothing to do with isolated women at all. They were neither English nor female: they were cardinals of the Catholic Church.

Popes and cardinals used the wooded parks round Rome much as the male Tory Party used the grouse moors. In high summer, this gave them a chance to relax and to stop government from making a nuisance of itself.

Abroad, this summer the Pope has again been urging a return to traditional values. Do these values, perhaps, include hunting and gardening? There is some evidence that they might. Recently, the Pope has had a swimming pool built for his own use, which might seem a plunge in the right direction.

My visit, I fear, did not extend to a study of methods of pool-cleaning chosen by the Vatican. Instead, I have been enjoying the ground plans of the best-known historic gardens. In Rome, above the Spanish Steps, the Villa Medici preserves the ground plan, at least, of a cardinal's garden, although the lions in his former zoo park have long been forgotten. At least you can see the cardinal principles, whereas the grounds of the nearby Villa Borghese were ruined by an eager Scotsman.

Outside Rome, the Masson and Agnelli photographs are tempting; but with one dreamy exception (which I reserve for next week), there are three particular gardens which deserve attention. Each is less than two hours' drive from Rome's traffic and each stood in or near a marvellous hunting park.

At Caprarola, the massive Villa Farnese will show you how to fit two charming walled gardens onto the pentagonal design of a castle, backing onto a hillside. At Tivoli, the Villa d'Este began by plundering the ancient remains of the nearby Roman Emperor Hadrian's villa: it ended by providing the showiest use of water and sloping steps on an awkward hillside.

At Bagnaia, the Villa Lante is the most charming of all. Its more modest cardinal committed the sacrilege of putting the garden itself in a former hunting park and emptying that of wild animals. The garden is certainly the most interesting of historic survivals in Italy.

Cardinals did tend to have a rather Hooray Henryish sense of humour, too. They liked water squirts which would drench their guests from hidden corners and they liked to float bottles of wine down their outdoor dining tables.

There is, however, a further dimension enforced by the passage of time. These three great gardens all have required expensive and skilled restoration since the 1960s. The Villa Lante in particular owes its delightful state to the intelligent work of a post-war Italian businessman. Nobody, least of all the Vatican can survive for so long without the help of newly made funds and support.

Miles better

JUST AS the Department of the Environment announces that national garden festivals can no longer be held every second year and has chosen consultants to carry out an evaluation of the whole idea of such festivals, the third in the series, Glasgow, seems poised to prove this sudden loss of faith ill-founded.

Already, six months before the festival opens on April 28, 80,000 season tickets have been sold, compared with about 50,000 for the first international festival at Liverpool in 1984 and a mere 8,000 or so for the Stoke-on-Trent festival last year.

The price for a ticket, which started at £15, has already risen to £20, will go up again to £25 in November, and, I am told, will reach £45 by the time the show opens.

Like the Liverpool and Stoke-on-Trent sites, that chosen for Glasgow was completely derelict but, unlike them, it had no huge accumulations of town waste or industrial slurry to be bulldozed and covered with soil.

No artificial hills to cope with such problems have been required in Glasgow, and the great canting basin, part of the dock used for tipping ships on their sides so that the barnacles could be scraped off, was there ready-made as a water feature with direct access from the Clyde.

There have been other bonuses for the Glasgow Garden Festival organisers. Various events are being planned at the SEC to coincide with the festival. Glasgow Botanic Gardens, together with the Scottish Orchid Society, are organising an orchid conference and show from September 15 to 18, shortly before the festival closes on September 26.

The overall scheme for the festival is highly ingenious, yet completely practical. Like many garden plans, one can only appreciate it fully when drawn. I doubt whether many visitors will guess how cunningly they are being encouraged to disperse once they have entered the show, walked down High Street, where everything is decorated in primary colours and all manner of wares are displayed for sale.

A huge circle known as the Central Milling Space contains many large, well-planted flower beds designed to split the visitors up into smaller groups.

Some may move towards the canting basin and its water sports, some into the area in which the National Trust for Scotland is erecting a fine glass pavilion surrounded by a garden. In other directions, they could find themselves exploring areas devoted to plants and food, recreation and sport, or health and well-being.

Trees, mostly of considerable size, have been arriving for a long time, moved with huge balls of soil, and regularly watered, so that I could not see one that looked in the least unhappy. Thousands more are still to come for a small forest on the boundary of the site to be planted by the Forestry Commission.

Here they are also busy making a badger's sett, but without water, so that visitors can go down into it and see how badgers live.

Just one more example of the enthusiasm festival aroused: gardeners at the Glasgow Botanic Gardens got together with the botanists at Glasgow University to organise an expedition to Papua New Guinea to search for new orchids, begonias, and filmy ferns, already strong feature in Glasgow.

The explorers returned with a rcih haul, the plants are just out of quarantine, and some of the most interesting will be displayed for the first time when the festival opens.

Conservationists need have no fear that tropical rain forests have been denuded of rare plants. Many of the plants brought back are epiphytes, which grow only on trees, and the collectors were instructed to gather only plants from trees that had already been felled, so that the plants had no other hope of survival. Forethought of this kind seems to be at the heart of the Glasgow success story.

Arthur Hellyer

Stuart Marshall test drives the C15 diesel

Maid-of-all-work

THE *deux chevaux* is in its dotage but I have just been driving a Citroen that might logically replace the corrugated iron hen house of a car that motorised the French peasantry in the forties and fifties.

Actually, it was not a car but a van—the Citroen C15 diesel, selling in Britain at £4,983 or, if you will settle for a smaller and less powerful petrol engine, from £4,232.

If only our Customs and Excise took a less restrictive view of putting windows and a rear seat in small vans, a 1,124 cc petrol engined C15 estate car with a huge amount of passenger space might retail for about £4,800. I think it would be the world's most practical motoring maid-of-all-work.

My test of the C15 diesel followed a week in a Mercedes 560SEL. Stepping from this £52,750 flagship into the Spanish-built Citroen van was nothing like the culture shock I had prepared myself for. The C15, with its long wheelbase and quite soft suspension, rides like a car and handles like a supermini. And the rear door did not rattle.

The 1.7 litre, 60 horsepower diesel—also used in the Peugeot 205 and Citroen Visa—is acknowledged as the best of its kind. It cold starts instantly after a pause for the pre-heat light to go out long enough to fasten your seat belt and then runs more like a petrol engine than a diesel. Over 50 mph (5.65 lit/100 km) is possible.

The seats were as squashy and comfortable as one expects of any Citroen and the 4-speed gearbox had a slick change. Providing the tyres were inflated to full load-carrying pressures—*the payload is 585 kgm (11¼ cwt to those of us who still think in Imperial measures)*—the steering is light enough for easy parking.

It stands 6 ft (183 cms) high and the side-hinged rear door is 3 ft 9 in (114 cms) square. As the load floor is only 5 ft 5 in (165 cms) long the C15 will not take a bed but it should carry almost any of the things for which one normally invests in a large estate car. The minimum interior width between the wheelarches is 3 ft 8 in (112 cms).

With a rear bench seat installed (as it can be in Continental markets) passengers have more legroom than in the enormous CX Safari estate. They sit so high they look over the heads of driver and front passenger and have a deep side window.

The main snag with a van is that driving visibility is not as good as in a car. At an angled road junction, you have to stop squarely to overcome a blind spot and see if traffic is coming. Backing up a curving drive is awkward unless you rely on the two exterior mirrors—the knack is easily acquired.

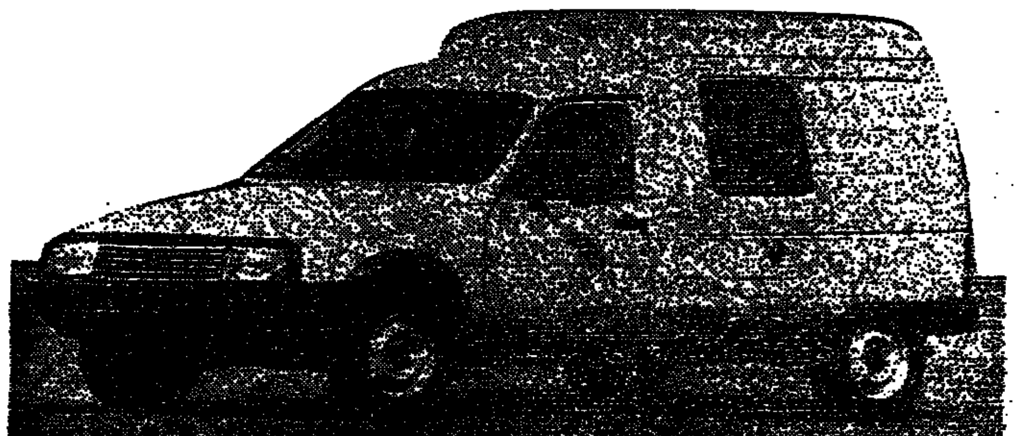
But who would want a small van instead of a car? A lot of people, I reckon, who now buy a very big estate car to carry all the equipment that goes with recreations like riding, hot air ballooning or shooting. They involve lugging around bulky and sometimes messy things like straw bales and wet labradors that fit better into the washable metal back of a van than the carpeted splendour of a large, luxurious estate.

Having a van on the family fleet would then allow the principal car to be a booted saloon, which most motorists prefer anyway because they are more secure and usually give back seat passengers a better time.

Ford is another manufacturer to recognise that not all vans are bought to enter delivery fleets but are used as dual purpose vehicles—as a van during the week, a car substitute at weekends.

The new Escort Laser van, announced this week, is for single-owner business users. It comes with two-tone black/white or red/black paint, cloth trim and a 90 horsepower lean-burn engine with 5-speed gearbox.

It even has a tiny window behind the door edge which at least reduces the blind spot at road junctions. The price is £6,776.



The Citroen C15 van is available on the Continent with a large side window and rear passenger seat. Here, it is sold only as a van. Even so, it could make an ideal cheap second car for a family with outdoor recreations

No business like show business

A FEATURE of motor show press days is the extraordinary lengths to which some manufacturers go to attract the attention of media people.

There were, of course, the naughty ladies who removed their clothes to attract photographers like wasps to a jam jar when our own Motor Show was at Earls Court. Since the move to Birmingham journalists have been seduced on to a brake lining maker's stand by egg and bacon breakfasts and to the Soviet Lada stand by lashings of caviar washed down with vodka.

Jazz bands and pop groups were all over the place at a couple of shows until the noise became so intolerable the organisers mercifully put a stop to it. At the 1986 Birmingham show one maker whose name escapes me tried to stop the passing crowd with a couple of weight-lifters—male and female—whose well-oiled and over-muscled bodies were too much for even well-oiled scribblers. I have never seen a stand so deserted by pressmen.

The invitations to press day functions at Motorfair are arriving by every post. For me, no breakfasts, thank you, whether egg and bacon or champagne. But Rolls-Royce has made it known it would be delighted if I could join senior executives and distributors for afternoon tea. Cucumber sandwiches while surrounded by Greek temple radiators, glistening paint and breathing in the perfume of best leather? Nothing will keep me away.

SM

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PROPERTY

Isle of gin and palaces

PROPERTY DEVELOPMENT has been slow to take off on Menorca, least known of Spain's Balaaric isles, but that is now beginning to change as more home-seekers discover the varied delights of this neglected corner of the Mediterranean.

Neighbouring Majorca is, of course, the traditional stamping ground of the fish and chip and tepid bitter brigade of British holiday-maker. Less well known are its residential charms; it is a surprisingly large island with a rustic interior and quiet stretches of coast where the package tourists rarely venture, and which are now being explored by increasing numbers of prospective home-buyers.

The other main Balearic island, Ibiza, has been a hideaway for the rich and famous over many years and so has a well-developed property market to cap its reputation as a tourist destination.

Menorca is different again, though. It lacks the regularity of charter and scheduled air flights of its neighbours and has never enjoyed their popularity. Therein lies much of its attraction.

It remains largely unspoilt by the over-development which has blighted so many Spanish resort areas, and has quite a different atmosphere from the other Balearics. This is due in part to a quirk of geology whereby underground springs reputedly convey water from the Pyrenees beneath the bed of the Mediterranean to trickle up in Menorca.

Whether or not this explanation for the island's bountiful water is apocryphal, the effects of it are evident enough — a rolling, verdant landscape incongruously reminiscent of Devon. Patchwork fields grazed by Friesian cows are bounded by thick hedges or dry-stone walls.

There is, in fact, a stronger British connection than the one evoked by outward appearances. Nelson's navy held the island as a British colony late in the 18th-century and the occupation left a legacy extending from Georgian architecture to a taste among the locals for gin — a tradition continued by a present-day distillery.

The interior is rich in archaeological artefacts, Stonehenge-like dolmens and curious beehive structures and the people speak a language which, while similar to Catalan, is all their own.

Add the charming capital

Ken MacTaggart surveys the property scene on Menorca, quietest of the Balearic Islands

town of Mahon with its superb natural harbour, plus the ancient port of Ciudadela at the opposite end of the 30-mile-long island, and the result is a holiday home or retirement retreat which exerts an immediate pull over visitors.

It has for many years been the chosen spot for a select coterie of property buyers, most of whom ventured originally into the limited villa re-sale market. They are being joined by increasing numbers of newcomers attracted by the easier route to home ownership provided by the residential estates now emerging.

Since most of the original development catering for seasonal tourism has taken place on Menorca's south coast, some interesting property options are to be had on the quieter north side. The coastline here is a mixture of beaches and rockier stretches, with cliffs in parts.

Intending home owners who prefer to live without sand on their immediate doorstep often find this an attractive location, although there is also the beach for those who want it. And the fishing village of Fornells, unlike many of its despoiled counterparts on mainland Spain, remains just that—a working fishing village.

A mile round the peninsula, hidden discreetly from Fornells but accessible readily by its own road, is the Menorca Country Club development at Playa de Fornells where a range of apartments and villas is being built on a stretch of rugged coastline indented by narrow coves and swathes of sandy beach. They are constructed in typical Menorcan style with whitewashed walls, red-tiled roofs, shuttered windows and distinctive chimney stacks.

Earlier phases of Playa de Fornells have sold out already to buyers of several nationalities, particularly British. Attention is concentrated now on the just-released second phase of the Village Club, a complex of linked beach-side apartments built around a central pool.

The development has satellite television, launderettes, cafes and bars, and the energetic can indulge in a wide variety of sports such as scuba diving, yachting, windsurfing and tennis. Prices for studios at the Village Club start at £26,000 and those for one and two bedroom apartments at £35,000.

Also newly on the market are the 35 front-line apartments of Es Bancalets, half of which have been sold off plan within the past month. These are arranged in terraces stepped down to the water's edge so that each has unobstructed views out to sea and up the bay to th sandy beach at Cala Tirant.

They are spacious and come with a pergola and barbecue area on the terrace. Prices range from £30,000 for one bedroom to £76,000 for three bedrooms and two bathrooms.

Villas on their own land are also available at Playa de Fornells. With a minimum built area of 150 square metres and plots from 650 to 1,000 square metres, including garden, they are priced at around £200,000.

Buyers throughout the development, with the exception of the cheaper Village complex, get automatic membership of the Menorca Country Club.

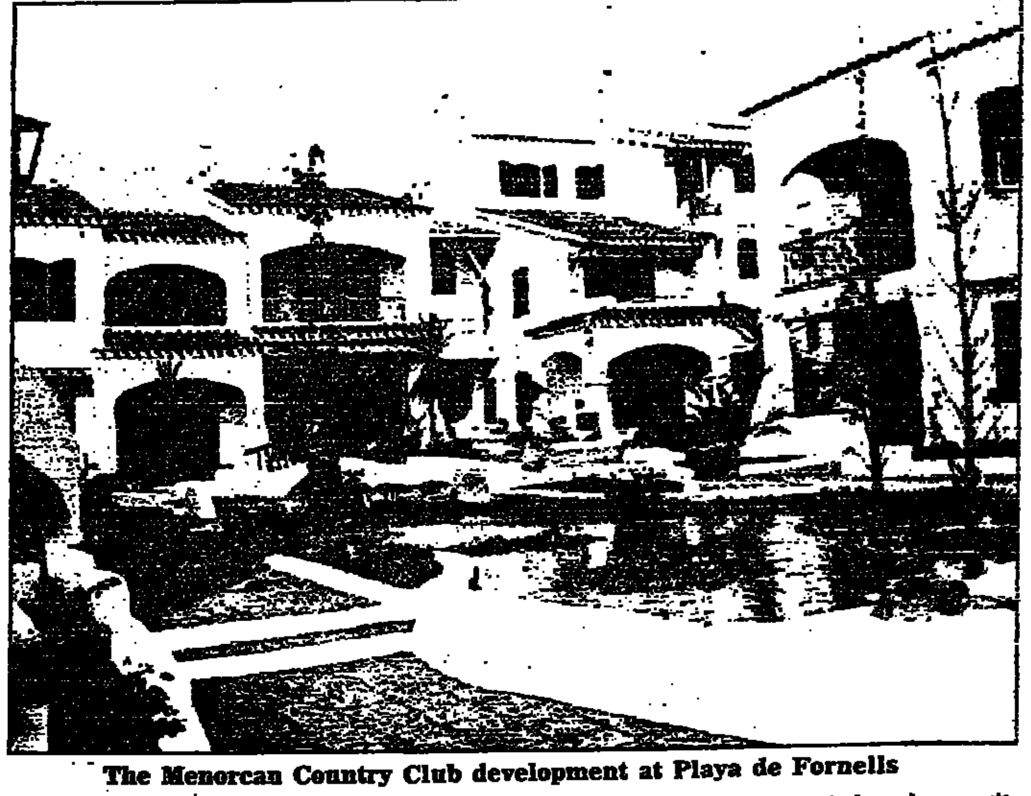
Also on Menorca's north coast, just east of Fornells, is an additional property development at Arenal d'en Castell, where a wide horseshoe beach is backed by the Arenal Playa complex of local developer Front Line Properties. Prices range from £31,000 to £42,000 for unfurnished beach-front apartments which vary in size from 68 sq metres to 78 sq metres.

These have proved attractive to buyers seeking a rental return on their apartment—by contracting the lettings for the six-month peak period to holiday firm *Intasun*, a *£3,000* income is guaranteed. The scheme is aimed at the self-catering holiday market, which benefits from the island's limited hotel space.

Front Line Properties also offers two- and three-bedroom homes on its Cala Rafalet development at S'Algar at the east end of the island; prices are between £29,000 and £39,000.

On the hillside overlooking Mahon harbour, the company has just started work on a site for which it has long sought planning permission. Selling of this pricier development (£80,000 to £100,000) starts in November and is aimed more at those intending permanent residence on Menorca.

For further details of property at Playa de Fornells, contact the Menorca Country Club, Shepperton, Middlesex (0932-243104). Arenal Playa and the other Front Line Properties are sold in the UK by Westmoreland International of Chichester (0243-779730).



The Menorcan Country Club development at Playa de Fornells

● *The article on marinas in Spain, published in the Weekend FT of September 26, was written by Ken MacTaggart*

Cascades prices shoot up rapidly

RUMOUR HAS IT that contracts to buy Kentish Homes Cascades' flats on the Isle of Dogs are proving hard to resell. But rumour has it wrong, according to Cascades' sales agent Alan Selby. In fact, he says, "we have contacted all the first phase buyers now, and we haven't had a lot of luck trying to get them to sell. I could get rid of the lot at £20,000 over the initial sale price.

"Some people have said that they would sell, but they want £60,000 to £70,000 over the initial sale price, and you can see why. Some of the riverside flats in Cascades sold in the first phase for £125,000. You wouldn't be able to get a riverside flat now in Docklands for £170,000.

"I don't believe that there will be any problems at Cascades, we still get 60 to 70 calls a week about without any advertising."

What makes the state of the Cascades resale market particularly important is that the completion dates for the first 85 flats in the block are just a matter of weeks away. Having sold all 160-plus flats in the block in two highly publicised 24-hour pre-sale sessions, Cascades has come to be seen as a classic "stagged" residential investment.

Any hint that investors who put down their 10 per cent deposits are now beginning to get nervous about resale values as they come close to paying the balance of the purchase price on completion would shake confidence in pre-sales right across the London market.

As it is, Selby explains that his only problem is being unable to take people on site. "It's a fast-track development and if you try to take someone around in the day it's death, there's so much going on."

He has been in during the evening, and reveals just a touch of nervousness about the runaway success of the scheme when he says: "Now that I've seen the flats inside and the views, I feel very much more relaxed.

"There are one or two people who had bought as an investment who have been in to look, and to our surprise, they have decided to live there rather than sell on. There are no problems, and it's staggering the amount of interest there is in the block."

So why the rumours? Selby speculates that Kentish Homes has won no friends amongst its competitor developers by deciding to build an expensively high level of communal facilities into the Cascades scheme. There are sports clubs and swimming pools—expenses that most developers are not keen to have to build.

What Kentish has done is to raise the entry cost for developers by raising buyers' expectations about apartment block standards, and since Kentish Homes will shortly be announcing details of its £60m Burrells Wharf scheme—a mixed refurbishment and new-build development with 300 homes and 50,000 sq ft of workshop, studio and retail space further east along the Isle of Dogs' riverfront—a successful rumour campaign now would, obviously, be embarrassing to the newly floated company.

Selby's enthusiasm is understandable. "We sell for a lot of other developers," he says, "but we never get queues with anyone else, so they must have something . . ." But he is adamant that buying demand is such that Cascades' stags' positions are now underwritten to the tune of at least £20,000 a contract.

The warning signals over this scheme seem to be both unfounded and suspiciously widely circulated.

John Brennan

Country Property

London Property

London Property

Country Property

Overseas Property

• PROPERTY •

John Brennan reports on a new way of getting much-needed finance

Bridging the homes gap

A COUPLE of years ago, shortly after returning to Britain from the more venturesome banking climate of the Far East, Clive Burgess of Standard Chartered spotted a gap in the housing finance market.

Reading an article in the Financial Times about the problems of raising bridging loans, Burgess's reaction was: Why?

"I'd been doing trade financing in Hong Kong; short term money for hundreds of millions of dollars. It wasn't nearly so well secured as it would be against bricks and mortar; why shouldn't it be possible to put a package together?"

Fifteen months ago his efforts to create such a package emerged in the form of Home Bridging. It was launched with the backing of Royal Insurance—which holds a 30 per cent stake in the business—and is now reversed into Collins-Wilde, a Winchester-based financial services business.

Using an initial £50m loan facility (arranged by a banking syndicate led by Arbuthnot Latham) as the cash float for the bridging service, Burgess set up shop in competition with the clearing banks.

He agrees that it was—and remains—an uneven match. The clearing banks barely make it into the ring.

"We are set up to provide bridging finance only, so we can make a quick decision. Banks are at a disadvantage because most bridging loans will be above the credit limit of a local branch manager, so there is a delay while they get clearance. Most bank managers will say, yes, if you arrange your mortgage and insurance and what-have-you with us." But we don't mind where you get your mortgage from.

"Banks also want their lending to be fully secured, and managers won't take any short cuts."

In any event, as Burgess says: "Most banks are not keen on open bridging." "Open." bridging is where you borrow to buy a property before the sale of your existing home, rather than a "closed" bridge, where the loan merely fills the time lapse between buying a property and receiving the money from an agreed sale of an existing home. A swift decision on open bridging finance is what people need to become cash buyers—and to win contract races, beat gazumpers, or bid at auction to make sure of getting a particular property.

Home Bridging (0962 840555) now receives about 150 loan requests each month. Two-thirds of these are from individual home buyers. Burgess reports that most are for about £100,000, held, on average, for 10 weeks.

Sometimes loan processing can be done in a day. Home Bridging charges a 1.25 per cent arrangement fee which covers valuations, registration and legal costs. Interest is at 4.5 per cent above base rates for loans up to 90 per cent of the equity in the existing home plus the amount of the new mortgage, so long as that total does not exceed 75 per cent of the value of the new one.


Home Bridging's Clive Burgess

"We get a lot of referrals from estate agents and financial advisers, because they're not interested in bridging finance, and it can make the difference between completing a deal or an abortive purchase."

"Chain-breaking" facilities now provided by some of the national agencies, building societies, and banks, do offer another way around the problem. But Burgess says that he is having discussions with at least one institutionally-owned agency chain which is interested in "own-branding" his bridging finance service because it is so much more flexible.

Residential developers have made up the rest of Home Bridging's custom, averaging loans of £250,000 a time for periods of up to six months.

Smaller developers are content to pay 4½ per cent over base rate and a 1.5 per cent arrangement fee, plus legal and valuation costs—half the fees up front, the rest on repayment of the loan. This is because few branches of the UK clearing banks will readily advance loans for site purchases or for auction bids, or to release working capital on part-completed and unsold schemes—except to established developers.

Even when they are dealing with proven development businesses, few banks can act quickly enough to be of real help. "With acquisitions of sites and buildings, almost invariably there is a race with someone else even when the property isn't being bought at auction, so timing can be crucial.

"We do have to be very careful about amateur developers. We advise some not to do it if the deal doesn't stack up." Burgess adds: "We have stepped aside from numerous deals in London." Nevertheless, developers' bridging finance has been in such demand that Burgess is launching a specifically commercial bridging finance service in a few weeks' time.

Fringe benefits

THE GRADE II-listed, four-bedroom, 17th century Keld Head House near Pickering, on the southern fringe of the north Yorkshire moors (left), is likely to attract nearly as much interest at the London end of the 125 rail links as in the local market, given the increase in part-time commuters with family homes in Yorkshire. Carter Jonas Byron & Granger (0904 27436) expects offers in excess of £155,000 for the house, which stands in three-quarters of an acre of garden.

J.B.

Country Property

Overseas Property

London Property

More (Moor? Moro?) light on the Dark Lady

Roger Prior unravels the many ambiguities and heraldic puns which point to the identity of Shakespeare's mistress

IN 1973, Dr A. L. Rowse claimed to have discovered the original of Shakespeare's Dark Lady of the Sonnets in the intimate diary kept by Simon Forman, the Elizabethan astrologer. She was Emilia Bassano, the promiscuous daughter of one of the Queen's Italian Jewish musicians. She had been the mistress of Shakespeare's future patron, the elderly Lord Hunsdon. Pregnant with Hunsdon's child, in 1592 Emilia was married off—*unhappily*—to the complaisant Alphonso Lanier. She continued, however, to take lovers, including Forman himself.

Shakespeare scholars have generally dismissed Rowse's claim and ignored the growing body of evidence which supports it. But a recent discovery has changed the whole picture. It provides the first direct link between an individual woman and the Sonnets.

A striking aspect of the Sonnets is the emphasis that Shakespeare places on his lover's "blackness." He returns to this again and again. She is "black" in the usual Elizabethan sense of having dark colouring, but she is also morally black, as black as hell —"coloured ill"—and a doer of black deeds. Why does Shakespeare harp on her colouring so obsessively? The usual explanation, of course, is that he is drawing a parallel between his mistress's dark appearance and her immoral behaviour. But we should be wary of such an obvious equation, especially as we know that the Mistress is a paradox: she is "black," but she is also "fair'" and "bright."

For I have sworn thee fair, and thought thee bright
Who art as black as hell, as dark as night.
(Sonnet 147)

In nothing art thou black save in thy deeds.
(Sonnet 131)

Somehow she is at once unusually "black," and yet "in nothing black." We now know that Emilia Bassano was just such a paradox: she was at the same time wholly black and not black at all.

Her double nature was discovered by two researchers who, curiously, have connections with her. Although not descended from the English Bassanos, Anselm Bassano is, like Emilia, half-English and half-Italian. His colleague Peter Goodwin is a direct descendant of Emilia's uncle, Anthony Bassano. (Goodwin has inherited his ancestors' musical talent: he is Professor of Trombone at the Royal College of Music, and founder of the Equale Brass quintet.)

Goodwin and Bassano have found, in a manuscript in the College of Arms, the correct description of Emilia's coat of arms. The Bassano arms have long been known: they can be seen today on an 18th-century marble monument in Lichfield Cathedral. The family crest is a silkworm moth proper; on the upper half of the shield are three silkworm moths; on the lower half a tree. In the heraldic Visitations of 1633 and 1634 this tree is described as a laurel. But the new record, which is at least 35 years earlier than the 1633 Visitation, describes the tree as a mulberry. This is obviously correct — silkworms feed on mulberry leaves.

The discovery thus confirms that the Bassanos were Jews, since it was Jews who introduced silk-farming into Italy and dominated the industry. The town in which the English Bassanos originated — Bassano del Grappa, 40 miles north-west of Venice in the Trentine Alps — was a centre of the silk trade.

To understand the importance for the Sonnets of this apparently trivial discovery, we must remember the importance of heraldry in Elizabethan life. To Shakespeare and his contemporaries, a coat of arms did not merely belong to the person who bore it; in a sense it *was* that person. Queen Elizabeth I was the Rose and the Phoenix that her crests displayed. She herself called her friend Lady Norris "mine old crow," after the Norris family crest, a *crow sable*.

Such close heraldic identification, naturally, often involved puns. The Lucys of Charlecote were also the *Luces*, or pike, blazoned on their shield, the probable source of the pun on "Luces" and "Louses"—and of course "Lucys", in *The Merry Wives of Windsor*. Shakespeare's own family arms pun on the "spear" of his name. His plays are full of heraldry, and we know that he took a particular interest in it.

Anselm Bassano realised that, in its correct form, the Bassano coat of arms lent itself to a heraldic pun. The Italian word for mulberry tree is moro. But moro also means "a Moor, a negro"; or as an adjective, "black;" having black hair and eyes. A *mora* is both the mulberry itself—and a negress. So, heraldically, the Bassanos were *Moros*, or Moors.

Whatever her physical colouring, Emilia's coat of arms meant that she was "black." In this essential respect she was a Moor. Now we can understand why Shakespeare was so fascinated by his mistress's "blackness." Her deeds were black, and so were her eyes and hair, but all were combined in the heraldic truth that she was a *moro*. The pun identified her, inescapably.

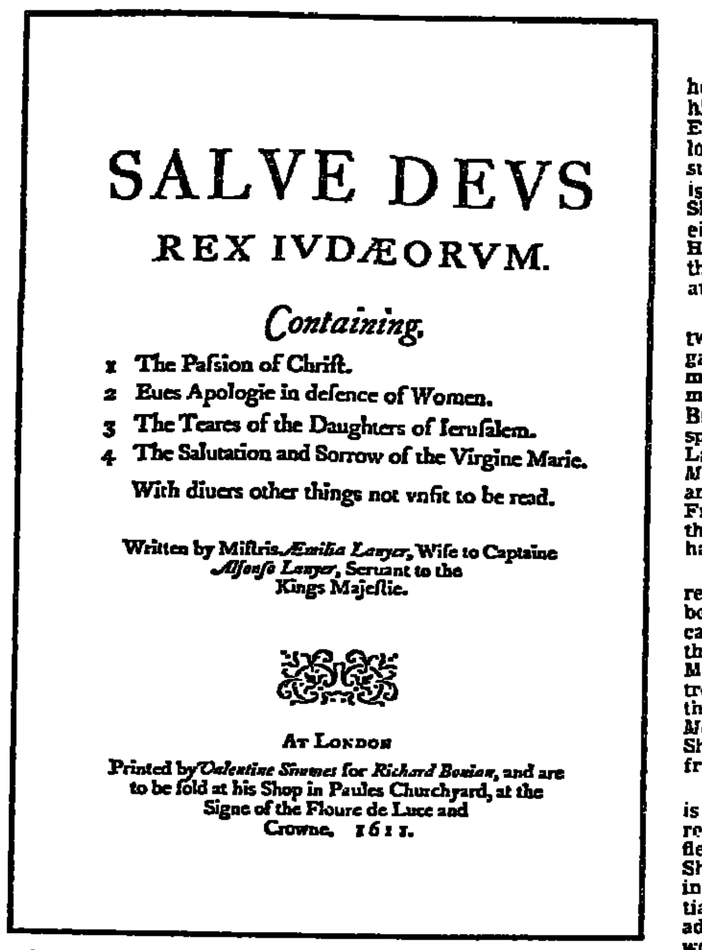
But it was also, of course, a false identity. Emilia was only a "Moor" in heraldic terms. Her ambiguous self is reflected in the Sonnets and in Shakespeare's uncerttainty whether his love is black or fair. The coat of arms adds to this doubt, because the tree which it displays is actually the Moro albo.

This is the white Mulberry tree. So Emilia was herself the very paradox which we find in the Sonnets—a white Moor. "I have . . . thought thee bright/ Who art as black as hell, as dark as night."

Her identification is supported by other evidence. There are clear signs in both sonnets and plays that Shakespeare referred to his mistress as "the Moor." There are three characters in the plays whom he habitually calls "the Moor", all three show an obvious resemblance to Emilia, that other "Moor". Othello is Venetian, as Emilia was by birth. She was also Jewish; and Shakespeare created both a Moor of Venice and a Jew of Venice. Aaron, the Moor in *Titus Andronicus*, has an illegitimate son; so did Emilia. Shakespeare gives to both Othello and Aaron an almost magical power to fascinate the opposite sex; in Sonnet 150 he says the same of the Dark Lady —and in the same words.

Again, in *The Merchant of Venice*, we find both the Venetian-Jewish theme and a hero, Bassanio, who is loved by an older man and who bears Emilia's name. The play also contains an unnamed Moorish woman who resembles Emilia very closely indeed. Not only is she a Moor, and Venetian, she is sexually dishonest and pregnant. Her situation in *The Merchant* is thus very like Emilia's in 1592, when, pregnant with Hunsdon's child, she was married off to the luckless cuckold, Alphonso Lanier. In the play, Lanier's position is that of the clown, whose name, Lancelet, suggests his sexual inadequacy. Lorenzo accuses him of making "the Moor" pregnant, but this news comes as an unpleasant surprise to him, and he implies that someone else is responsible.

Lorenzo: ". . . the Moor is with child by you, Lancelet."
Lancelet: "It is much that the Moor should be more than reason: but if she be less than an honest woman, she is indeed more than I took her for."



SALVE DEVS
REX IVDÆORVM.
Containing,
1 The Paſsion of Chriſt.
2 Eues Apologie in defence of Women.
3 The Teares of the Daughters of Ieruſalem.
4 The Salutation and Sorrow of the Virgine Marie.
With diuers other things not vnfit to be read.

Written by Miſtris *Æmilia Lanyer*, Wife to Captaine *Alfonſo Lanyer*, Seruant to the Kings Majeſtie.

AT LONDON
Printed by *Valentine Simmes* for *Richard Bonian*, and are to be ſold at his Shop in Paules Churchyard, at the Signe of the Floure de Luce and Crowne. 1611.

Frontispiece of a book of poems published in 1611 by Emilia Lanier (Bassano)

The woman is literally "more" than Lancelet took her for: she is pregnant. Emilia, too, was a Moor who was "more": she brought her husband an illegitimate child.

So Emilia embodies a triple pun: *moro*/Moor/more. Shakespeare must have found irresistible this strange fusion of language with reality.

He used the "Moor/more" pun again in *Titus Andronicus* and, with far more significance, in the Sonnets. Here he refers directly to the Dark Lady as "the Moor." In Sonnet 150, he writes of her: "Who taught thee how to make me love thee more/The more I hear and see just cause of hate?"

Through repetition and emphatic placing Shakespeare draws our attention to the word "more." He is, I suggest, punning on it. The lines can be read: "Who taught thee how to make me love thee, *Moor?/ The Moor* I hear and see just cause of hat."

Because we already know that the Mistress of the Sonnets is "black," the pun is not an improbable one. Shakespeare uses it even more ingeniously in Sonnet 40. Here, he has been betrayed by the two people that he loves most, and the sonnet is one of the bitterest in the whole series.

"Take all my loves, my love, yea take them all;
What hast thou then *more* then thou hadst before?
No love, my love, that thou mayst true love call;
All mine was thine, before thou hadst this *more*."

It is always assumed that here Shakespeare is addressing his male friend (probably the Earl of Southampton) as "my love," but nothing in the poem supports this assumption. There is no indication of gender; Shakespeare may be addressing either the friend or the Mistress. His puns on "more" show that this ambiguity is quite deliberate.

In its accepted meaning, line two asks the friend what he has gained by stealing the poet's mistress: "What hast thou then more then thou hadst before?" But now we can see that Shakespeare is also asking the Dark Lady: "What hast thou then, *Moor* then thou hadst before?" and the pun also works if the Friend is addressed: "What hast thou then? *Moor*—then thou hadst before."

Similarly, line four, which reads "All mine was thine, before thou hadst this more" can also be read: "All mine was thine, before thou hadst *this* Moor." Or, speaking to the Mistress again: "All mine was thine, before thou hadst this, *Moor*" where "this" is both Shakespeare's friend and the friend's love.

The puns show that the poem is totally ambiguous—like the relationships it describes. It reflects the lovers' dishonesty and Shakespeare's doubts. But, being ambiguous, it is also impartial. It takes no sides: it may be addressed to the man, or to the woman, or to both at once. They share the poem as they share the poet's love and blame. It expresses their dishonesty—but it also embodies their sexual union; they became one in the poem, as they did in the sexual act. Finally we see that the pun comments on its own function. Just as Emilia was "more" than she seemed, so in these sonnets the word more is itself "more" than it seems.

There is even a little footnote to the heraldic analysis. Shakespeare himself, according to a reliable tradition, planted a mulberry tree in his garden at New Place, where its descendant stands to this day. Anselm Bassano has pointed out that the Italian pun on mulberry may be seen in the name of Queen Tamora, who is obsessed by Aaron the Moor in *Titus Andronicus*. "Tamora," (a name which Shakespeare invented) is shorthand for "T'amo, mora"—"I love you, Moor."

● *Roger Prior is a senior lecturer in English at the Queen's University, Belfast.*

William St Clair on a chance to see early books

Gutenberg Bible to be sold

Johann Gutenberg . . . when he failed to repay his loan in November 1455, his printing equipment was seized

THE GUTENBERG BIBLE is the first printed book of the Western world. It was produced in Mainz in Germany some time about 1454 by Johann Gutenberg, a craftsman in precious metals. The text, in Latin, was set from moveable type in black ink in two perfectly justified columns per page—that is, with each line expanded to the same width.

Each letter was skilfully cut to reproduce the finest handwriting of a medieval scribe, including the abbreviations which were no longer necessary. The initial capitals were then rubricated in red by hand and the pages were illuminated with a pleasing design of flowers and birds. The first printed book is also one of the most beautiful.

The earliest printed books have no title pages. There is therefore no mention of Gutenberg, though his involvement is beyond dispute. For safety, however, scholars refer to the book as the 42-line Bible to distinguish it from the 36-line Bible which followed a few years later.

The dating is also derived from outside evidence. One of the men employed in the rubricating noted a copy now in Paris that he completed his task on August 24 1456.

Gutenberg's invention caused an immediate sensation. A letter of March 1455 from a local churchman to his cardinal reports seeing a printed bible on sale at Frankfurt. It is so clear, he notes enthusiastically, that you can read it without glasses. Some copies seem to have been sent as far as England for rubricating, to judge from a leaf in the British Library rescued from later use as binding material.

Within a few years, despite all the attempts to keep the secret and maintain the monopoly, printing had spread over much of Germany, and by 1480 it had reached virtually every major city in Europe.

Never before had it been possible to produce books so quickly and so free from copyists' errors. The invention was the most liberating technological change in European history.

The printing was a huge undertaking. Large amounts of capital were provided at 6 per cent by a financier called Fust, secured against Gutenberg's equipment. Paper was expensive and vellum even more so, and had to be bought in bulk.

But the first printer had an eye for economy as well as design. Originally it was intended to fit 40 lines to a column, but to save space as demand grew, the type was filed down on two occasions to allow first 41 lines and then 42. The full edition is believed to have eventually numbered 150 copies on paper and 30 on vellum.

Fifty-one copies survive, including 12 on vellum, but only 39 are complete, most in national collections. I know of only one remaining in private hands. However, there is now a rare chance to acquire one of the others.

The St John's Seminary in Camarillo, California, is putting on sale the Dohaney copy, which consists of the Old Testament portion only, on paper, bound as a single volume. It forms part of the collection of books and manuscripts given by Estelle Dohaney which is being sold at a series of auctions over the next few months.

The proceeds are to be used to establish a foundation at the seminary. "The needs of the seminary system in Los Angeles," says the Archbishop of Los Angeles, "are such that we can no longer afford the luxury of maintaining a valuable and little used asset."

In recent years the chemical composition of the ink of the Dohaney copy has been analysed at the Crocker Nuclear Laboratory in California. The results have since been compared with a similar analysis of the inks used in another copy held by the Lilly Library in Bloomington, Indiana.

By techniques such as these it is gradually becoming possible to reconstruct the way Gutenberg and his assistants manufactured their masterpiece. They seem, for example, to have used six printing presses simultaneously, starting at different places, but were quick to rearrange their working methods if one team lagged behind.

The sale takes place at Christie's in New York on October 22. Before that the Bible is being exhibited in Tokyo on October 1, 2 and 3; in Munich on October 7 and 8; and in London at 8 King Street, St James, on October 12 and 13. Some 60 other items from the collection will also be on show.

The estimate for the Bible is \$1.5m to \$2m, not far from the \$2.2m which was obtained for a complete copy in 1978 and remains the highest price paid for a printed book.

Gutenberg himself was not so lucky. Among the few facts recorded of his enterprise is that in November 1455 Fust demanded back the money he had advanced plus accumulated interest; and when Gutenberg did not pay, he took possession of all the printing equipment and continued the business on his own account.

Saleroom

The cult of decadence

STEPHEN TENNANT was a man of small talent and considerable wealth. Buttressed by the Glenconner family fortune (built on starch), he idled away his 80 years at Wilsford Manor in Wiltshire, dabbling in painting and poetry, dance and a novel (about the matelots of Marseilles) which was never completed.

For the last 30 years—he died in February—he took to his bed, entertaining friends with reminiscences of Cecil (Beaton) and Edith (Sitwell), Virginia (Woolf) and Rex (Whistler).

He was the epitome of the Bright Young Things of the 1920 who never wanted to grow old and, in his own mind, never did. One consequence of his rejection of the real world was that he died intestate, and his heirs (various nephews and nieces, for Tennant never was a marrying man, finding love only with Siegfried Sassoon for a few frenzied years) have decided to sell Wilsford and its contents.

The house has gone for more than £1.2m compared with the cautious estimate of £750,000, and the contents are to be auctioned by Sotheby's on Wednesday and Thursday in a marquee on the lawn. There is a fanciful forecast of £600,000-plus but, given the fascination with this lost age, the total is certain to be much higher.

There is nothing of any real value at Wilsford. For all his aestheticism, Tennant seems to have had pretty dreadful taste and the furniture and pictures will be of interest only to interior decorators who, after a little restoration, will be able to ask inflated prices for something with such an exotic provenance.

The only desirable lots are those that relate to the personal life of Tennant and his friends. The bronze bust of him by Epstein, sculpted in 1927, carries a top estimate of £5,000. For many years, Tennant—never modest about his own beauty—had it on loan to the Tate.

There is a series of photographs by Beaton, his great friend and neighbour, which captures exquisitely the escapist frivolity of the Twenties enjoyed by the intelligent rich.

One, which shows seven poseurs—among them Whistler and William Walton, dressed as shepherds and preening themselves on a rustic bridge—is of National Portrait Gallery quality and carries an absurd estimate of £300 as one of nine in a lot, all taken by Beaton.

There must also be bargains among the paintings and drawings by Tennant, often of sailors and Arabs but including some pretty, decorative nonsenses. He had, through his excellent connections, his first exhibition when he was 15, selling a fairy picture to Queen Alexandra.

His genius was tiny but rarified and the four vaguely Beardsley-like pen-and-ink and watercolour illustrations, with a £400 top estimate, will go for a few thousand pounds. There will undoubtedly be buyers for an extraordinary zebraskin pouffi by Colefax and Fowler, delivered in 1942 at the height of the war, and for the garden statues of putti and gods which were allowed to degenerate into a picturesque wilderness.

For many, the gardens at Wilsford, dating from the 17th century, are much more beautiful than the house which was built by Tennant's father in 1905. Certainly, the interior must make it one of the oddest residences in the UK, with the rooms decorated well by Syrie Maugham in the 1930s and badly by Colefax & Fowler in the 1940s.

It is all unrelieved Regency Vogue, the vertical rococo pastel patterns gilded with coving. Some rooms have clouds on the blue ceiling while Tennant's bed is flanked by two medieval windows bought from Crowthers. The floor, in the space between the cushions, the pouffes, the tables, the pedestals, the screens and the vases, was scattered liberally with shells which were much loved by the owner.

With such an exotic background the furniture, textiles, ornaments and ephemera blended to suffocating excess.

Stephen Tennant . . . a wasted talent

Without the glamour of the house, many items will look lost (except the portraits and the photographs and the drawings, which immortalise the man and his dwindling circle).

Anyone buying at Wilsford is not paying for worthwhile antiques but for a sliver of a recent past which is as much out of reach as the 19th century or Imperial China.

Whether it is worth spending time and money commemorating a man who never escaped boyhood, and who frittered away any talent with which he might have been graced lying in bed, toying with worthless jewels, while writing in multi-coloured inks to fellow devotees of the cult of decadence, is an open question.

Antony Thorncroft

Man versus machine at chess: Anthony Curtis reports

In check to a computer

TIME WAS when strong chess-players used to laugh at the mention of a computer solely dedicated to playing chess. They do not laugh any more.

Commercially available chess-computers now play chess strongly enough to defeat all but the best players. In many club tournaments they finish above the half-way mark.

To defeat them it is not enough to know about the program since they are designed not just to memorise set sequences of moves (though they do this over a huge range of standard openings) but to evaluate a position at lightening speed and to make moves based on sound chess criteria.

Admittedly they have a tendency to play "percentage" chess; they are very reluctant to sacrifice material, and sometimes this can lead them to make serious errors, particularly in pawn endings where the calculated loss of one pawn may ensure the queening of another; but this kind of weakness has largely been overcome in the most recent models.

It is as hazardous to recommend any particular model as it would be any particular make of car.

The leading manufacturers operate throughout the western world; American, West German and Scandinavian companies have been designing and updating chess-computers for the past decade and marketing them through agents in the UK; models which are made by Fidelity Electronics, Novag, Conchess and Mephisto — to name but a few market-leaders —usually play good fighting chess at various levels.

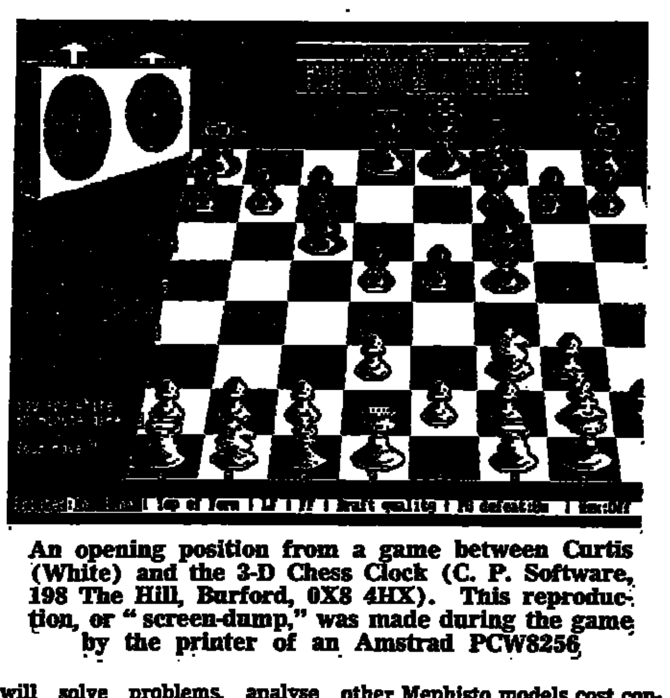
In addition to merely playing a game against the user they will solve problems, analyse positions, play against themselves, recommend moves and so on.

The only problem is the price; a really satisfactory model does cost several hundred pounds. The new Novag Super Expert which has just come onto the market costs £499.95, its siblings the Forte B and the Super Forte retail at £279.95 and £299.95 respectively.

The German Mephisto Super Dallas, another new arrival and by all accounts a world-beater (running on a 68020 32 bit processor) sells at a cool £1,699; other Mephisto models cost considerably less, between three and four hundred pounds, according to the size of the board and pieces.

On top of this you are going to have to pay another £8-£10 for a mains adaptor.

Of course there are much cheaper ones on offer; those between one and two hundred pounds are still quite hard to beat, and there are small travelling sets for even less if your fingers are nimble enough to put the plastic pieces into the pegboard. The Advanced Star Chess at £69.95 is a good buy which has been around for some time.



An opening position from a game between Curtis (White) and the 3-D Chess Clock (C. P. Software, 198 The Hill, Burford, 0X8 4HX). This reproduction, or "screen-dump," was made during the game by the printer of an Amstrad PCW8256

One way out of paying a high price is to buy a guaranteed second-hand model; obsolescence in this area is very rapid and there are some old models to be picked up at half price.

Another solution is to be found if you already possess a computer/word-processor such as the Amstrad PCW 8256.

All you have to do in that case is to buy the appropriate software, a disc costing less than £20. Load it into your model, and soon a chess board will flash onto your screen and you will be asked whether you want to play black or white.

Amstrad users have a choice of two chess programmes: Cyrus II and 3-D Chess Clock (both of which ought to be obtainable from Smiths, Ryman and other stockists) and they are excellent, offering various options.

The 3-D Chess Clock is literally that — apart from the board and men it gives a graphic of a timer.

You can also get print-outs of the moves, screen-dumps (pictures) and store games on disc, a boon to postal chess players. The same company (CP Software) also have a Bridge Player 200 with Tutor at £19.95.

Before purchasing your chess computer you will want to see it and try it out. Beware of mail order hype. Harrods have a selection on show, and so do Just Games, Brewer Street, Virgin Games, Oxford Street, and ABM electronics, Tottenham Court Road.

Better still might be to pay a visit to a chess computer specialist such as Eureka Electronics at 26 Castle Street, Brighton.

Eureka!

SOLAR ENERGY

Nice one, sun

SUNTANNING might be bad for the skin but it's getting better for your personal stereo. More electronic gadgets, including even telephones in rural France, are now being powered by the sun. And about time, too.

There is enough solar energy to allow every person on earth to burn (here comes a curious fact) 12,000 two-kilowatt heaters continuously, according to the Penguin Dictionary of Science, although the closest any of us comes to using some this awsome power is to work out our overdraft on a solar-powered calculator, or listen to "free" music on Sony's rather costly solar Walkman.

Both these devices are—like most electronic gadgets—ideal for solar power because they use relatively little current when compared with lights, heaters and kettles. So what about the electricity driving the 11,999 heaters we each have, theoretically, left over?

Most, unfortunately, goes to waste. Solar energy is used to power telecommunications satellites, navigation instruments on ships and railway signals, but scientists have yet to find a way to convert sunlight into electricity cheaply enough for everyday use.

Solar cells, the devices that generate electricity from the sun, are just not efficient enough and far too expensive to win in a straight contest with other energy sources. It would, for instance, take a while in batteries alone to save the £80 extra Sony charges for the solar model of its Walkman. Shareholders in Duracell can sleep easy, for a while. But they would be wise to follow the fortunes of companies such as Chronar.

This US concern, which in 1985 built a solar panel-making factory in Bridgend, Wales, is trying to broaden the market for solar-powered domestic goods. It sells garden lights, torches, battery chargers and a complete power plant for a holiday cottage, all of which need only sunlight as fuel.

Conventional solar electricity-generating panels are made up of individual solar cells soldered together on large boards. Chronar uses "amorphous silicon solar modules" to produce electricity. These are a collection of solar cells that have been made using the latest technology, such as lasers, to cut production costs.

While cheaper to make, these panels are less efficient than conventional boards and must therefore be a bit bigger to generate the same amount of current.

Sony has managed to squeeze a panel onto a "sports" Walkman (which is bigger than some of its models) but independent tests have shown the machine's sound quality to be worse than others in the range. This could mean that some components have been sacrificed to create more space for the panel.

Chronar's 0.5-watt garden light has a panel of 225 square centimetres, which is about the size of a hardback book. It will produce enough electricity, stored in a battery, to run the light for about four hours in London in June, and for about half that time in December. A similar light, but with a 16-watt bulb, needs an enormous collector of 2,700 square centimetres.

These lights really are torches designed to, say, outline a garden path. They are not powerful enough to identify strange noises coming from the rhododendrons.

Chronar's products are not cheap or particularly compact, but they do have some definite advantages, besides being sound ecologically. Take the garden light (from £50). It works on low voltage and is safe with children. A photocell switches it on automatically when the sun sets.

There is no wiring, which means you don't have to worry about disturbing the wisteria's roots or striking a high-voltage cable while planting the daffodils. More important, you can install the lights yourself and save the electrician's fee.

The lights have built-in nickel-cadmium batteries which can be re-charged up to 1,000 times. During the day, the solar panel produces electricity and stores it in the battery. At night, the light shines until the charge runs out.

Chronar's battery-chargers for cars and caravans are flat panels designed to lie on a car dashboard or to be screwed to the roof of a caravan. Both chargers provide a steady trickle of current for 12-volt batteries, keeping them topped-up even when the car is parked for a long time; and similar chargers will probably soon be built into cars to help keep their batteries, which have to drive an increasing number of electronic gadgets, in peak condition.

The larger caravan chargers do the same job and, with enough sunlight, can run fridges, televisions and water pumps. Chronar also makes a solar-powered torch used by campers and a complete power plant to bring electricity to remote holiday cabins.

Cloudy Britain, of course, is not the best country in which to depend on the sun. But, even on dull days, solar cells still produce some electricity. In southern Europe and the sunnier parts of the world, the future of solar-powered household goods looks bright.

● *Peter Knight is editor of FinTech 2—Electronic Office.*

Peter Knight

Diary-keeping

Daily records

"I NEVER travel without my diary," declared Gwendolyn, in Wilde's The Importance of Being Earnest; "one should always have something sensational to read on a train."

Visitors to the Mall Galleries in London, where an exhibition of diary-keeping over four centuries is on view until October 25, will probably agree. Diaries cast bright light into the corners of life as it is lived outside the doubtful, sometimes downright specious public world of official documents, political propaganda, diplomatic treaties—and newsprint.

They comment on human nature and human affairs more closely than any other record left behind by men and women —until, of course, the 20th century's camera eye and magnetic recording tape began to probe our privacy by other means.

To include Caesar's De Bello Gallico Commentarii, in the Venice edition of 1494, is pushing diary-keeping a bit far, even if the accounts of his came-saw-and-conquered expeditions to Britain in AD54 and AD55 include thoughts and motives among the descriptions of our geography.

Diaries were a novelty of the late sixteenth and seventeenth centuries; William Matthews' bibliography of British Diaries (published in 1950, now in need of revision) notes a mere 20 examples before 1580.

Early examples on show include young Edward VI's Journal, written in the educated, confidently ill-spelled hand of priggish adolescence. It is a chillingly sad and probably precise reflection of the pinch-faced, pathetically over-protected boy who succeeded his mighty father, Henry VIII.

The entries in his daily chronicle run from 1549, his 13th year, to November 28 1552, six months before consumption consumed him. They are concise, conscientious, coldly impersonal. "It seemed very strange," he recorded, that his "side" should be defeated in a tournament.

Among other royal journals, Queen Victoria's is the most vividly spontaneous account of a life, its times, and multifarious responsibilities, over an astonishing 68 years of almost daily diary-keeping. It includes a galaxy of sketches and detailed commentary, domestic as well as imperial.

The first volume, kept by Victoria as a 13-year-old Princess of Kent, is exhibited here; our present Queen has also lent the 1852 diary of the then Prince of Wales, open at the January entries which describe a play performed for Victoria and Albert by their children.

Fanny Burney is by no means the only woman to break through the wall of silence surrounding them in our public history; Dorothy Wordsworth's last Journal is on view, and Julia Cartwright's 1875 diary: "A safety valve when I felt the thoughts seething." In a strong elegant hand, Lady Longford recounts a picnic on a 1977 trip to India.

The most touching items—not excepting David Livingstone's private anguish recorded in Africa after his wife's sudden death from fever in 1862—are the war diaries. During both world wars members of the armed forces were discouraged from keeping diaries; they were regarded as a security risk.

Prisoners of war, especially those in Japanese hands during the 1940s, risked fearful repercussions if written records were found. But whether in spite of or because of the restrictions, servicemen and civilians alike seem to have felt impelled to keep diaries through momentous, dangerous and propagandist times of war. London's Imperial War Museum has lent generously from its manuscript collection.

Detail of a water-colour sketch of Princess Vicky from Queen Victoria's diary, 1852

Edith Cavell gives potentially deadly details of her escape lines out of Brussels. "The sky is a sheet of reflected colour," wrote Florence Speed in a diary entry made at home in Brixton on September 7 1940, the first day of the Blitz.

James Harris, a veteran of the battle of El Alamein, worries over his wife and son as he embarks for the D-Day landings. "Berlin smells of death," wrote Mary Kessell, a British official war artist at work in Germany in September 1945.

At the exit, a battered leather-bound diary for 1876 reminds the curious that, for all the intriguing entries read by if not actually recorded for posterity, some secrets are meant to be kept. The journal is closed: clasped shut, and locked. The key went missing years ago.

Gay Firth

Treasures must stay

Sir Peter Wakefield challenges the view that the nation's paintings be sold to the highest bidder

THE NATIONAL Art Collections Fund, financed wholly from the private sector, has donated considerable sums of money since its foundation in 1903, securing for the nation some of its greatest art treasures. It appears to us that Nicholas Faith's article in last Saturday's Weekend FT on whether British museums should dispose of works in their collections treats a complex issue in too simplistic a manner.

As Faith rightly remarks, trustees of both the V and A and the British Museum already have the power to dispose of items in their collections under certain circumstances.

The Government proposes that these powers be extended to the trustees of the National Gallery, the National Portrait Gallery and the Tate Gallery—Britain's three greatest picture galleries. Although such powers may seem, on superficial examination, quite reasonable, there are several inherent dangers in extending them to galleries of paintings.

While no objection could be raised to the transfer of works to other British museums, the first and most often cited danger is that of changes in taste. Those works deemed unsuitable or of little artistic worth today may well be thought to have great aesthetic merit in a few generations.

In historical terms, there are plenty of examples—the Pre-Raphaelites, Italian 17th-century paintings and the Primitives to name but a few. They have all gone through periods when tehy were unappreciated and neglected.

In the 1950s, the Birmingham City Art Gallery sold works by Joseph Southall and the Birmingham School for derisory prices. There works have appeared in a London dealer's catalogue at greatly enhanced prices.

Similarly, the V&A purged its Bethnal Green collection of all Art Nouveau pieces after the war, just a few eyars before it leapt into vogue. Are we really so confident of the prescience of present and future trustees that such mistakes could never be made in the years ahead?

Second, expert opinion on attribution or on whether a work is genuine or fake is in a constant state of flux.

Christopher White, director of the Ashmolean Museum, has cited a 10th-century Spanish "deaccessioned" by New York's Metropolitan Museum as a fake. His museum bought it last year with the NACF's help. Experts are now convinced the work is genuine.

Similarly, the National Gallery's portrait of Pope Julius II was considered a copy of a Raphael. After research and cleaning it proved genuine and extremely valuable. It could have been lost to the nation under the law presently proposed.

We now come to the question of the disposal of duplicates. Proposed legislation extends the powers of disposal, already in the hands of museums with *general* holdings to the great national *picture* galleries.

An object can have a duplicate but there is no such thing as a duplicate of a painting—a copy maybe, but not a duplicate. Van Gogh painted several Sunflowers, but they are all original works of art. In addition, a painting is rarely so damaged that it has no remaining art historical value.

Museums would gain very little practical advantage by implementing the proposed measures. Works which a museum would primarily wish to dispose of would, presumably, be those thought of little value—in other words, unfashionable or damaged items.

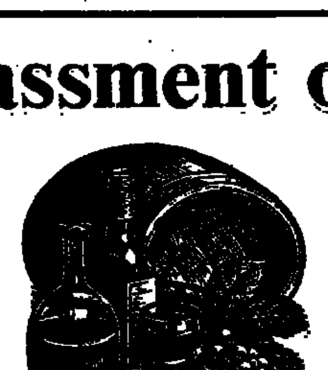
A more invidious long-term effect of the proposed law could be a reduction in the funding of national galleries on the pretext that they are empowered to raise cash by selling off works "unsuitable" for their collections. This would make Britain a culturally poorer place.

Further, the proposed new measures threaten to alienate present and potential benefactors from helping our national collections. Who would want to help to buy, or to donate a work of art to a gallery if it were possible that, in time, the work would be sold off? Already, it is clear that Sir Denis Mahon's intention to bequeath part of his unrivalled collection of 17th-century Italian masters to the National Gallery could be at risk because of the proposed measures.

The evident dangers of the proposed law serve to emphasise the vital role of the National Art Collections Fund. Such notions have convinced the fund that it should only give grants, or pass on bequests of works of art to museums and galleries, on condition that the works are "not to be sold or otherwise disposed of." Moreover, the present membership has a moral right to expect that museums which have received so much from the fund in the past will not, in future, be forced into the marketplace.

● *Sir Peter Wakefield is director of the National Art Collections Fund.*

Embarrassment of choice



High Street Wine

AT THE latest count the Sainsbury supermarket chain lists 254 wines, of which more than 100 cost less than £3—the limit for many Sunday drinkers—and around 30 between £3 and £4, at which more considered wine selection might be thought to begin. The range is a tribute to the cellar-searching assiduity and well-matured palates of the store's buyers but its extent, particularly at lower price levels, might present an embarrassment of choice to the customers.

Clearly, Sainsbury is aiming to go up-market, for all 14 new additions to its list are in the Vintage Selection, which now numbers 59 wines and is available in full in 83 stores and a smaller range in a further 98 shops. In a recent extensive tasting I concentrated on these 14 but failed to comment on a non-alcoholic wine, which to me seems a contradiction in terms.

WHITE

Pasqua Soave Classico Costalunga 1986 (£2.55). Most Soave lacks character and is very dull but this is an exception. Unusually pale, with a flowery bouquet and a full flavour, it is quite a strong-tasting wine although no more than 11.5 degrees in strength. One to be recommended at a good price.

Ch. La Rose du Pin 1986 (£2.95). Unusually pale in colour, which might suggest early bottling, and with a fruity nose, this Entre-deux-Mers wine has a somewhat aggressive green flavour but will be appreciated by those who appreciate freshness in dry white wines, and will go well with salad dishes.

Vernaccia di San Gimignano San Quirico 1986 (£3.45). Considering that this wine is no more than a year old, the colour is surprisingly golden, with a deep, almost chardonnay-type bouquet and a full, apricot-like flavour that has a little sweetness but ends dry. With 12.5 degrees of alcohol, this was for my taste, too big a wine, lacking freshness, but this is the character of the grape, of which the many-towered town has a near-monopoly.

Eitelsbacher Marienholz QBA 1986 (£2.95). This Riesling wine comes from a Ruwer estate of the distinguished Trier religious institution, the Bischöfliches Konvikt. The aroma is still a little closed but there is good acidity and a soft, flowery flavour. With only 9.8 degrees, this is an excellent first-course wine that should improve with another year or so in the bottle. Excellent value.

Berri Estates Chardonnay 1986 (£4.55). Made from 100 per cent chardonnay, this is a typical Australian example with a herby aroma, strong acidity and a powerful 14 degrees which needs time to soften and round out. Worth buying to keep for a year or two, and good value for a chardonnay.

Meursault Gauthey-Cadet 1985 (£12.95). This is a grower's wine, with a plain Meursault appellation. If in a different price bracket from the Australian chardonnay, it is also in a different class. The colour is fresh with a clovey, oaky nose and deep, long taste. A fine example of a generous-flavoured Meursault that is not over-priced.

RED

Vin de Pays de la Vallée du Paradis (£1.98). This part of Paradise is in the Aude department near Carcassonne, and the wine (from a co-operative) is made from the local Grenache and the Rhône-originated Syrah grapes. It is fairly light with a deliciously fruity bouquet and plenty of flavour. Easily enjoyable and at a surprisingly low price.

Sainsbury's Bulgarian Merlot (£1.99). The Bulgarians have been particularly adept at planting French vines and making styles of wine appealing to West European palates. This has a light colour, a clarety nose and a somewhat tannic end to the taste. It will soften with food and is very good value.

Marqués de Caceres Rioja 1982 (£7.95). The black label suggests that this wine will improve until the early 1990s, but the brown-tinged colour and the slightly dry end might imply that it has not sufficient fruit to last or improve. With the typical oaky aroma, now an easy-to-drink wine for magnum occasions.

Romeira Garrafeira 1978 (£3.48). Another wine predicted to last until the 1990s but this rather tannic, tough Portuguese product from a district north of Lisbon certainly needs to lose some of its edges, and it is an open question as to whether it will develop much. A typical peasant-like Portuguese table wine for those who enjoy this mouth-filling style.

Ch. Mirefleurs 1985 (£3.35). Produced from a vineyard a few miles across the Garonne from Bordeaux, it has good colour, a real claret nose — two-thirds cabernet-sauvignon, one-third merlot — and plenty of flavour. It demonstrates that good clarets with only generic Bordeaux appellations can now be made for early drinking, but is also worth keeping for another year or two.

Ch. Le Tour Peyronneau, St Emilion 1985 (£6.75). The second wine of a minor St Emilion, it is fairly light in colour for the age and a softer, slightly more earthy-tasting wine than the previous claret. It does not have a lot of body and, for me, not a great deal of character either.

Moulin-à-Vent Domaine de Labruyère 1985 (£5.45). The vintage was exceptionally good in Beaujolais, but this lacks the distinction and body of what should be a wine from a leading cru. Perhaps bottled on the late side.

Bourgogne Hautes-Côtes de Beaune 1985 (£5.65). The Côtes d'Or vineyards planted on the Hautes-Côtes from the late 1960s onwards are now mature and producing wines of a quality often superior to the general run of generic red burgundy. From a co-operative, this is on the pale side but has real pinot noir flavour and, if still a little green, provides an authentic wine at a fair price.

Edmund Penning-Rowsell

Episode one of a good gift guide for Christmas 1987

The Santa season starts here

Lucia van der Post

HOW TO SPEND IT

I'M SORRY to remind you quite so early and quite so forcibly that there are only 65 shopping days left to Christmas. Those whose preferred style is an Olympian indifference until the very last minute when a belated scurry round the shops on Christmas Eve deals with the subject can direct their attention elsewhere.

Those who prefer to broach it early like a general planning his campaign may find this week's offering a useful starting point for their lists, strategies and sorties. Everything featured today can be bought without venturing far from your own armchair—and if there is nothing you see immediately that serves your needs, then write (or telephone) to the addresses of your choice and a postboxful of catalogues can be with you within days.

● **David Mellor, Cook's Catalogue, 66, King Street, Manchester M2 4NP (Tel. 061-834 7023).**

Exquisitely tasteful equipment for the foodie or the keen cook. Everything is beautifully-made and utterly functional. Choose from exquisitely-turned wooden bowls and platters, the infallible bottle-opener (the Screwpull at £8.35, p+p 60p), a hand-marbled recipe book (£13.98 p+p £1.50) or cellar book (£13.44 p+p £1.50), or the Krups mini-machine for making just 4 cups of espresso or capuccino (£51.93 p+p £2.50). If you can, visit the shops in person — beside Manchester there is one at 4 Sloane Square, London SW1W 8EE and 26 James Street, Covent Garden, London WC2E 8PA.

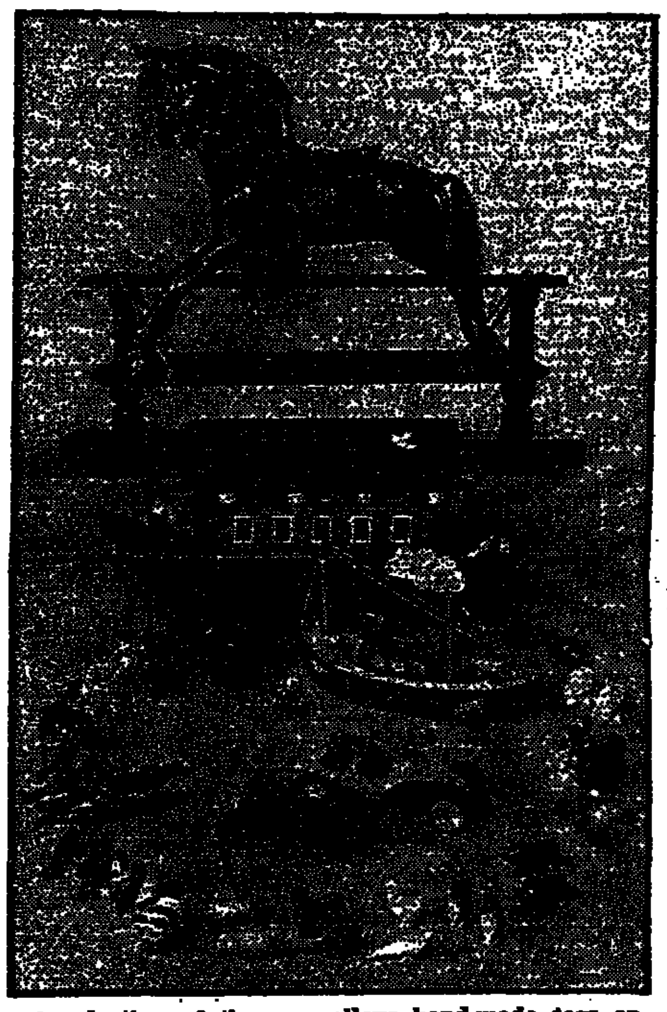
● **London Shopper, 64 Ripplevale Grove, London N1 1HT. Tel. 01-607 4420.**

Aimed primarily at the American market, giving stateside shoppers a chance to do their shopping in London by telephone, it has been so successful that it is now being offered to the British as well. The choice, needless to say, has been made with an eye to American tastes but there's lots to appeal to the British as well. Give the cosy figurines a miss and aim for the Aran sweaters, the weathervane, the proper teddybear (now quite hard to find), the floral patterned evening bag (£20), and Hinchcliffe & Barber's decorative plates (the cockerel plate, sketched here, is £47).

● **The General Trading Company, 144 Sloane Street, London, SW1X 9BL (Tel. 01-730 0411).**

Charm personified from the Sloane's favourite store. A small, beautifully edited collection of presents for one and all. There's a tiny washable cotton T-shirt bearing the legend—This is my first Christmas so please give generously (£5.50). Look out for pretty bowls for holding pot-pourri (£48.50 and £17.50), for a brass lantern from India (£25), painted Chatsworth trays (£5.50) and, ideal for the country house set, this dachshund bootscraper in cast-iron, 38 cm from nose to tail (£15.00).

Drawings by James Ferguson



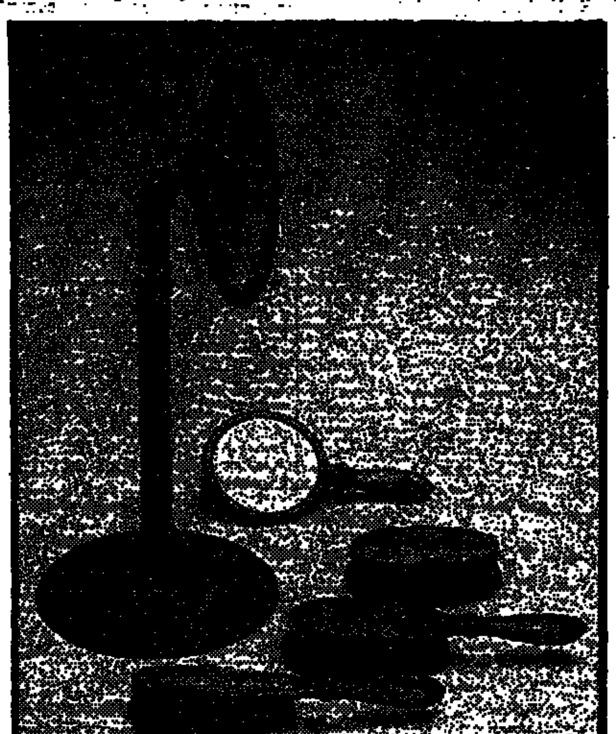
A selection of the marvellous hand-made toys on sale at the Chelsea Crafts Fair

Arty crafts

IT'S Chelsea Craft Fair time again (can Christmas be far behind?). All those readers who have grown to make it a regular date in their calendar might like to know that, as ever, this year's fair is even bigger and better than last year's. Now in its eighth year it is, it seems, the largest craft fair in Europe and has been one of the major influences in bringing craftsmen and their work to a wider public. As usual, the range of work to buy is vast—everything from jewellery to knitwear, from marbled paper and books to rugs, tableware, glass, ceramics, toys, fabrics, baskets, hats and quilts. You can spend as little as £5 or as much as £5,000 for a piece of specially commissioned furniture. In my experience some of the best things to look out for are toys—usually beautifully made, original, almost works of art and a fine change from the commercially-produced Barbie dolls and Action Men.

Anybody in a mood to buy really high-quality pieces will find work by some of the biggest names in the craft world —John Makepeace (*for furniture*), *Lucie Rie (for pottery)*, Catherine Mannheim (for jewellery) and many others.

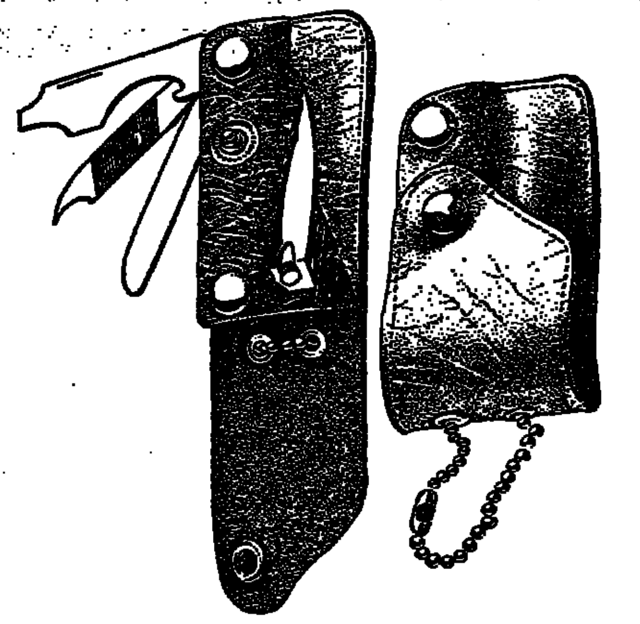
The fair is on at Chelsea Old Town Hall, King's Road, London SW3, October 12-24, from 10 am to 6 pm on Mondays and from 10 am to 8 pm on Tuesday to Saturday. Admission £2.50.



Exquisitely made dressing-table set in Paldao wood, from the Philippines and natural wire-drawn bristle. From the John Makepeace Workshops

● **Saville-Edells, 25 Walton Street, London SW3. Tel: 01-584 4398.**

The present emporium par excellence—some you would never wish to give house-room, others might be just the very thing you're after. If you avoid the knick-knacks, the dainty "objets" of no perceiveable use, there is a useful selection of games (everything from table tennis to magnetic chess and backgammon sets), some witty jewellery. If cushions with messages are your line (I Am Not Perfect But Parts of Me Are Excellent, Older Men *Make Better Lovers—you get* the drift) then the choice here takes some beating. Most of the presents are aimed at grown-up children but there is a tiny section for real children —the woolly sheep rocker is a charmer—£135.



● **Stocking Fillas Ltd, Tennant House, Fence Avenue, Macclesfield Cheshire SK10 1LP. Tel 0625 511511.**

As it sounds—the perfect source of all those tiny little presents and stocking fillers that no proper stocking should be without. Presents range from the small and useful, like the key-ring manicure set sketched above (£2.50) and the tape-less measures for £2.75 to the jokey (soft pink bath pillow lips for £1.45—however have we managed so long without one?). Especially good on tiny presents for the mini-set—pets that glow in the dark, balloons, cracker kits (everything you need to make 10 crackers—that should keep them quiet) and magic pen painting.

Upset—one of Snaffles's illustrations in Red Letter Days, a hunting classic of the 1930s, now reissued with a preface by Molly Keane (Andre Deutsch £12.95)

Tally-ho!

IN THE PINK
by Caroline Blackwood.
Bloomsbury, £11.95, 164 pages

IN THE PINK makes a bad job of a very good subject. Caroline Blackwood sets out to give an outsider's personal view of that controversial sport, fox hunting. More people (she believes) now go fox hunting than at any previous period. That belief may or may not be true, but certainly Caroline Blackwood has not been one of these new fox hunters. She has lived for some while in New York and has written novels and journalism. Perhaps she saw a dustbin fox in Manhattan. In England, she has followed two fox hunts for a short while in a car.

There could be room for an outsider's view on a topic whose insiders' views are often literally blinkered. To stand up, it would need to be backed by accurate facts and a wide range of perceptions. Caroline Blackwood has failed on both counts. Her main sources are a few elderly ex-hunting ladies and some worn old anecdotes about past figures of the field whom most of its modern enthusiasts found rather frightful.

The Duke of Beaufort's obituaries were indeed a bit much, and for his last 15 years with the horn, he bored his hunt subscribers to death by going slow and avoiding the fences. He was prepared to spend £80,000 a year, it is said, on his hunt, a fascinating fact which is not in this book. But neither are the economics of this curiously funded pursuit.

Sometimes, people have stuffed the author up with some marvellous rubbish: "Chic huntsmen," apparently, keep a special pair of leather hunting boots to wear at hunt balls; "purist fox-hunters" would rather see a subscriber naked than wearing elastic round his chin and hat (Caroline Blackwood has not contemplated the *waistlines of our local* crash-helmeteers); above all, "the hunt provides unique and comfortable facilities which encourage adultery."

These facilities turn out to be the horse-boxes. Once, in 30 years, I have known reports of a Hunt Secretary who used the facilities as a last resort before the meet.

I cannot make much of her chapters on factual subjects. The one on fox-hounds is quite confident that "16,000 hounds are destroyed regularly in Britain each year." You could not even train a farm-cat on the description she gives of the process. Could she not have talked to working huntsmen or any of the hundreds of dedicated kennel-men whom the sport employs?

As for the fox-scent, it is a mysterious subject, buf it is even more mysterious if you know and say nothing about southerly wind and a cloudy sky, air which is colder than the ground, days when hedges look black, not blue, and the unfailing thrill of an evening before a sharp night's frost. Throughout, her book lacks a grasp of its subject. As a result, it veers between specta*tor-protest* and *indecisive* bewilderment, fortified by some old literary descriptions.

As for the cruelty of the sport, the case has been endlessly rehearsed and at this late stage there is nothing new to say. I agree with her vegetarian interviewee with whom she was not altogether sympathetic. Fox-hunting is a small part of a much wider issue: what about modern meat-farming and its single-minded techniques? Is it morally wrong to kill animals for pleasure, whether in hunting or eating?

Caroline Blackwood is free with the language of murder and cruelty. Foxes, however, kill indiscriminately, not just for food, especially if they get into chicken-runs. In her view, foxes could be humanely con-

● Main books, Page XX

trolled by "skilled shooting," and drag-hunting (on artificial scent) would be a sporting substitute. However skilled, a marksmen leaves wounded animals, whereas hounds do not. Woods which have no foxes are woods which have been shot, not hunted and restricted. As for sport, those who have tried both are better qualified to judge.

An honest account of the cost, social composition and practices of modern fox-hunting would make surprising reading. This book is still stuck with the upper-class non-story: "We meet Laura, Duchess of Marlborough, who risked serious injury in continuing *to ride* side-saddle for the effect of her couture." It combines fluency and exaggeration and it makes too little of its best point. Nowadays, the followers on horseback are heavily outnumbered by the hundreds of followers in cars. Caroline Blackwood spent some hours with a Quorn car-follower, but remains jammed at the level of her own experiences in a narrow country lane.

It is most odd that so many different types of people will drive bumper to bumper watching a distant sport in which they cannot participate during cold and wet afternoons. This book does nothing to help us understand the motives of all concerned.

Robin Lane-Fox

Chef's oeuvre

BOOKS by chefs are a dime a dozen—or a dozen dimes for one, more likely—these days. They help the members of that embattled profession help to make ends meet.

They tend to include mouth-watering photographs of carefully sculpted masterpieces; they lay out tantalising recipes that always seem to assume that every well-equipped kitchen has the odd lobe of foie gras, a truffle or two and a beaker of *glace de viande* ready to hand.

"My Gastronomy" by Nico Ladenis is not one of these. *It is a compendium of his* views on his profession, on the nature of cooking, on his colleagues and competitors, and in its most heartfelt section, on his customers.

Of course there are photographs, and very handsome too; and there are recipes that are daunting for even the most inspired home cook: *Les cailles farcies au fumet de truffes*, for example, lists no fewer than 25 ingredients, including diced truffle peelings and four thick croutons of brioche.

Fond though I am of quail I cannot bring myself to give them that degree of attention in my own home. Instead I will take myself off to Simply Nico in Rochester Row, and dally with them there. And although I am sorely tempted by the *Mousseline de sole et de crabe a la sauce de langoustines*, I don't think it's practical to expect your average household to have 3 oz of *sauce creme de ciboulette* and 10 black truffle slices standing by.

When all is said and done, a recipe is a recipe is a recipe. You pause to admire, to despair, to give it a go, or to pass on. It is not the recipes that give this book its particular fascination. It is the personality of the man himself.

I do not claim to know Ladenis well. I have taken the odd meal at Simply Nico. I have heard him give voice to the odd opinion now and then. But rarely in my experience has a book so accurately caught the peculiar quality of its begetter's discourse.

Quite apart from the public correction of the junior minister of health for her eating habits, he has trenchant things to say on a good many topics. As I expected, he takes a dim view of *cuisine nouvelle* (although he tips his toque to Michel Guerard) and of the Foodie, "that phenomenon who eats with his eyes closed and analyses every mouthful."

And while I could not but feel a slight swelling of the patriotic chest at "I am afraid I far prefer English lamb to French (including the much vaunted *pré-salé* from Normandy)," I can only agree with his assertion that "the best potatoes in England come from abroad, from Jersey, Cyprus, Egypt and France."

He points out that "a Frenchman knows that a Michelin star against the name of a restaurant reflects the skill, the training, the dedication, the professionalism and the extensive thought that has gone into the selection of good ingredients, the creation of good recipes, the compilation of *well-balanced menus and the* way in which very fresh ingredients have been put together, cooked and presented."

No such tradition exists in England, and nor will it until you can "open a restaurant in Wigan, a bistro in Newbury or a serious establishment in Reading and be full every evening."

There are those who don't agree with Ladenis. There are even those in his own profession who bridle at the presumption of this self-taught upstart — and much of the antipathy he generates stems from the fact that he is an outsider. Chefs are a notoriously insular lot.

Ladenis's eminence as well as his opinions, challenge their orthodoxy, and much of what is valuable about "My Gastronomy" comes from the fact. He has had to work everything out for himself.

The book is dotted with observations about cooking distinguished by their senses and their lack of mystique. "Steaming allows you to preserve the look and colour of the fish and to concentrate its flavour . . . It is also a good deal easier to carry out than poaching.

Whether you agree with everything or nothing that he says doesn't really matter. Personally there are one or two things with which I would take issue—though I am prepared to forgive anything to someone who can begin a section: "Offal has always had a special place in my mind"—but I am grateful to have had so many of my assumptions challenged in so digestible a form.

Peter Fort

• BOOKS •

Malcolm Rutherford on the jottings of Labour's elderly enfant terrible

Benn's thoughts

OUT OF THE WILDERNESS DIARIES 1963-67
by Tony Benn
Hutchinson. £14.95. 592 pages

HAROLD Wilson said of Tony Benn that he immatures with age. If so, he took a long time about it, for there is nothing in these diaries, which start with 1963 when he was one of Wilson's speech writers and end with 1967 when he was Minister of Technology, to indicate any great change. The real story is one of increasing disenchantment about Wilson as Prime Minister, a view which is in no way eccentric. On the contrary, it seems to have been the conventional wisdom of most of Wilson's Cabinet.

Not that Benn was particularly mature in the first place. He emerges from the diaries as a rather earnest young man—why else would the diaries exist?—with some bright ideas, a few oddities, but otherwise not much different from other figures of his time: Peter Shore, for example, who in the 1960s was one of Benn's closest political colleagues.

His chief early distinction was his successful battle to renounce his peerage so that he could continue to sit in the House of Commons after his father's death. It seems incredible now that the struggle should have taken so long. Benn was quite right about it, though it will always remain an irony that one of the first practical effects of the Peerage Act was to enable Alec Douglas-Home to become leader of the Tory Party.

For the rest, however, there was nothing much to suggest that Benn was a figure of the left. It is true that he was a republican, or said he was. That led to a long skirmish with the Palace when he was Postmaster-General over his campaign to remove the Queen's picture from postage stamps. But although he devotes a large part of the diaries to it, even Benn admits on page 335 that the issue was peripheral and it is to his credit that the stamps did become prettier in the end.

His political roots were in the movement for colonial freedom rather than domestic policies. He shows little interest in economics throughout. At one stage he recommended that the Labour Party should put out a television broadcast on world poverty on the eve of the municipal elections. Wilson turned him down. And when Wilson was planning his first administration, Benn wanted either the United Nations or the Post Office: hardly the stuff of a radical, though he did note, on being informed what he would get: "I feel like a revolutionary who has been told by the insurgent general that when we capture London I am to take over the Post Office."

His views on defence policy were Gaullist. He sensed and disliked Trotskyite influence in the Labour Party. He thought that the Government should have taken legal action to prevent Private Eye publishing Mrs Wilson's Diary in book form. His greatest contempt seems to have been reserved for what he called "grammar school Tories."

The trouble was that he was in many ways essentially Wilsonian man. He believed in the new technology. He was using an Ansafone in 1963 and a scrambler the next year. His views on the Post Office were modern, including the need to split off telecommunications. He was one of the first British ministers to go to Japan and discover how far the Japanese were ahead in that field.

He was also ahead of his time on broadcasting policy, wanting more channels and a readiness on the part of the BBC to take advertising, at least on its Light Programme. Some of his comments on the corporation are devastating: "It does not try hard for exports or think of going into pay-television or consider my advertising proposal. It just wants to be the BBC and to rest on a shrinking island of purity and integrity and is even happy that the rest of the broadcasting outlets should go to crude commercial organisations."

Clearly the Benn of the mid-1960s is not the same as the Benn we know today. The story of his conversion to a more radical form of socialism is not told here, but some of the seeds are there. It was his belief that Wilson was indecisive, ceased after the general election victory in 1966 to talk to the left, some of whom could not remember that he had ever belonged to them, and was becoming generally remote. In this Benn was noting a movement in the Labour Party that was to become much more apparent later. The shift to the left was a reaction against Wilson.

Vietnam had a lot to do with it and, incidentally, Benn claims that in early 1966 Michael Foot was offered the Home Office, but turned it down on the grounds that he would not accept collective cabinet responsibility for the Government's attitude to the war.

Yet the overwhelming impression that arises from the now voluminous memoirs of the early Wilson period is of a government in the dark, of cabinet members not talking to each other except in small groups. Conspiracy and suspicion were rife. Overall economic problems were seldom discussed collectively.

Benn's entry for November 16 1967 runs in full:

"Cabinet decided to devalue.

"Spent all morning on a package of cuts while I had this terrible guilty secret, which I had to keep quiet until it was announced."

That was only partly because he was then observing the convention of not recording cabinet meetings. It was also because he seems very seldom to have stood back and surveyed the scene as a whole.

More volumes are to come at the rate of one a year. This one contains a strange error of editing. Harold Evans, Harold Macmillan's Press Secretary, was not the Harold Evans who edited the Times and Sunday Times. I enjoyed the book; others may find it rather long, for Benn, though among the wittiest of political speakers, is not a witty diarist.

Same old questions

CAMBRIDGE MONETARY THOUGHT
by Pascal Bridel. Macmillan. £29.50. 227 pages

Charles Goodhart looks at the era before and after Keynes at Cambridge

ONE OF the better quips about economists runs that, "In their examinations, the questions never change: but the answers that are expected from students do change over time." I can still remember one of the questions from my Cambridge economics Tripos, which was, "Qn. 'It is all in Marshall.' Discuss." Alfred Marshall was the revered father of the Cambridge school of monetary economists. He had shown how equilibrium would be achieved by agents attempting to optimise their utility, and he developed the "marginalist" school around the twin concepts of marginal utility and marginal productivity. At the macro-economic level this translated into a *long-term* full-employment equilibrium, in which the rate of interest would equate the inter-temporal desire to invest (productivity) with the desire to save (thrift). In the short run, however, various monetary and other disturbances would interact with price rigidities to cause unemployment and other (temporary) problems.

In my day at Cambridge, however, one was supposed to go on to record how his most brilliant pupil, Keynes, had shown that the supposed long-term automatic reversion to equilibrium was invalid; that the rate of interest did not (directly) equilibrate the demand and supply of loanable funds, but the demand and supply of money (liquidity), and that desired investment and saving were equilibrated by changes in the volume of output, not by shifts in interest rates. In those days, Keynes was seen as having successfully broken through the restrictive mould of classical economic thought, as developed by Marshall and in his own earlier work, eg *the Treatise*.

Nowadays, however, Keynes is seen as having *failed* to develop an adequate theoretical basis for his new position. Pascal Bridel records, fairly and fully, the historical development of *Cambridge Monetary Thought* from Marshall, through Hawtrey, Lavington, Pigou and Robertson, up to Keynes's *General Theory* in 1936. Bridel, a naturally sympathetic assessor, concludes that Keynes did not succeed in establishing a sound theoretical base. Thus (pages 189-190), "it was soon made clear that Keynes's alternative theory of the adjusting mechanism could not bear, in the long run, the weight he assigned to it."

By contrast, the earlier Marshallian view of a natural long-run equilibrium, from which the economy is driven by shocks, exacerbated by short-term price rigidities, once again appears a la mode, (except for those who do not believe in price rigidities). Marshall never worked out the short-term dynamics of how the system reverts to this longer-term equilibrium, after a short-term shock. Bridel, however, shows how Hawtrey "seems to have understood the working of the forces stabilising the economy at the new equilibrium position once it is reached," including the "real-balance effect," whereby a change in price levels can drive actual real money balances away from desired real balances, without any change in the nominal money supply. This reassessment of Hawtrey's contribution, in *Good and Bad Trade* (1913), is one of the best bits in Bridel's book.

If Keynes is now seen as having failed to establish his claims to have overthrown the classical paradigm, what did he achieve? First, he did demonstrate, with great force, how, if markets work imperfectly, the economy may malfunction, with actual unemployment deviating far from equilibrium levels over long periods. Second, he demonstrated the power and importance of writing good English (a lesson woefully ignored these days), if economists wish to influence people and policy. How can one not respond to a phrase—quoted by Bridel, page 140—such as "the invisible hand is merely our own bleeding feet moving through pain and loss to an uncertain and unprofitable destination."

Keynes's analysis had several weak spots. First, even if interest rates did not (in the short run) equilibrate desired investment and savings, the resulting deviation of actual output from its equilibrium *should* cause subsequent price changes that, with a given nominal money supply, would bring about equilibrating real balance (Pigou) effects. Thus Keynes's unemployment equilibrium was not *general*, but depended on price/wage rigidities. Second, the liquidity preference theory of interest rates was a retrogressive step from Keynes's previous work in the Treatise. His latter position unduly emphasised one of the "threefold margins" on which interest rates operate, i.e., time preference, marginal productivity of capital and liquidity preference, as Bridel points out on several occasions. Third, Keynes tried to employ an equilibrium analysis (as Kohn in a further illuminating article on Keynes's thought, "Monetary Analysis, the Equilibrium Method, and Keynes's "General Theory," *Journal of Political Economy* [December 1986] argues), on one intermediate stage in a *sequential* process running from initial shock through to restoration of final equilibrium via price/wage adjustments.

These failings did have certain persistent and deleterious effects on the economics profession, especially in the UK. First, the insistence that an unemployment equilibrium was possible *in general* delayed the study of how and why markets *actually* work in such a way as to cause unemployment to persist; and has even now allowed a new school of thought to develop that argues on the premise that markets really *do* work perfectly and that the economy reverts to an equilibrium extremely rapidly! Second, the combination of the misguided liquidity preference theory with a static equilibrium analysis of the demand for money has managed to leave, even now, monetary theory and the theory of interest rates in a more confused, worse state than the earlier Keynes, Dennis Robertson and their Cambridge colleagues had managed to achieve in the early 1930s.

Mr Goodhart is Norman Sosnow Professor of Banking and Finance at LSE.

Goannas and cassowaries

IN THE LAND OF OZ
by Howard Jacobson.
Hamish Hamilton, £12.95.
380 pages

AUSTRALIA: BEYOND THE DREAMTIME
by Thomas Keneally, Patsy Adam-Smith and Robyn Davidson. BBC Books, £14.95.
244 pages

YOU CAN only digest a small chunk of Australia at a time, for it is too old, too ripe, too vast, too hot and too tartly-sauced to gulp at one meal. It has 200 years of history, 16m inmates and approximately 16m good jokes, for the inmates are as droll and as ironic as a goanna up a gum tree or a cassowary in a casserole.

What a stroke of luck, then, that as good a Pom writer as Howard Jacobson, who knows Australia well and has a beaut Oz wife, should have devoted such cool energy as to produce this book. He is a comic explorer in the grandest mould.

Indeed, his book is the perfect present for anyone on their way Down Under to help those intemperate colonials celebrate 1988's bicentenary of their country's convict birth.

This is not a gibe, as cheap as the Aussie dollar; on the contrary, Australians are overbearingly proud of their convict origins, as any conversation with a beefy ear-ringed she-man in a Bondi Beach bar, or with those jewel-clad matrons ("Call me Shirl, darl") from Sydney's Double Bay, will swiftly establish.

We visit a lot of bars and discos with Jacobson, as visit them we must to meet real Australians as opposed to the cardboard bureaucrats in Canberra or the share-pushers and price-fixers of Melbourne and Sydney.

For example, Jacobson's counter-clockwise tour of the great island-continent begins in Darwin, in the parched Northern Territory, and almost at once Jacobson is smelling blood and bone — "the rich, rancid tropical heat of people living at the edges of their sanity".

He visits the Hotel Darwin (no-one's idea of fun) where, amidst bamboo and fern and the sweaty insincerity of those who have gone troppo, he listens to a Special Guest Female Vocalist (SGFV), who tells her audience: "I would now like to perform a number made famous by the late Judy Garland," followed by a song by the "inimitable"-but-of-course-imitated Marlene Dietrich ("Farhleeng in lahv agayn, nehverr vaahnted to, vaht am I to do . . .").

That's *it*—that is Australia: completely dotty behaviour in tropical surroundings: a time-warp, magical, criss-crossed by songlines, multilingual, multiracial and ever so, ever so droll.

Multiracial, but also racist. One of Jacobson's informants—Neil—rushes the author through the catalogue of Aboriginal incompetences as many Australians see it—their hopelessness, their unintelligence, their incomprehension of property, their economic and moral backwardness. "What *you* mean," says Jacobson, "is that they are not able to formulate a ten-year plan."

Yet as Jacobson wisely says: That which we call racism is often merely the expression of a fundamental yearning, akin to thirst or hunger, to speak violence. The object—the particular instance of colour or nationality—is purely arbitrary. It's just tough if you happen to be it.

This is a marvellous read: exuberant, eccentric, cringe-making—just like Australia. But just like Australia you should only tackle it in small chunks, for it is ripe and hotly-sauced.

Australia: Beyond the Dreamtime is another excellent pre-bicentennial gift, with pictures this time, in which three Australian writers present the island continent from a personal viewpoint. As the publisher claims, as only they can: "It reveals a beautiful, enigmatic land that has produced not only Crocodile Dundee and Ned Kelly but also Joan Sutherland and Sidney Nolan." Too true, blue, too true.

Michael Thompson-Noel

Detail from a portrait by Rubens of Thomas Howard, Earl of Arundel, 1629-30. It is one of many illustrations in "Peter Paul Rubens" (Yale U.P. £40.00) by Christopher White, Director of the Ashmolean Museum, Oxford, in which he presents a new interpretation of the painter's work

Jazz words

THE FLOW of books on jazz and its musicians continues unabated. Noted here are just six published this year, with more due before 1988. Unquestionably the most engrossing and valuable so far in 1987—and likely to remain so — is **Jazz: The Essential Companion**, by Ian Carr, Digby Fairweather and Brian Priestley (Grafton Books, £17.95, 562 pages). Its three authors are professional musicians as well as writers and between them they cover, in a directory of over 1,600 entries, not only the main musicians (living and dead) and bands but also the terms used in jazz. Different in their personal playing styles, the three have triangularly different writing styles and their contributions felicitously combine hard information with critical evaluation. Blandness is not the authors' friend. To reiterate one word of the title: essential.

Equally valuable but in a different way is **The Jazz Handbook**, by Barry McRae (Longman, £9.95, 272 pages). This is a guide, the first in a Longman Handbook series exploring the performing and visual arts, for the person newly finding the music; 200 short biographies of key jazzmen and bands are placed in the relevant decade in which they made their greatest impact.

As well as McRae's evaluations, concise and unequivocal, there is also a databank giving record labels, a list of publications, and an inadequate two-page glossary.

Critic - musician - composer Leonard Feather is coincidentally world-known for his indispensable encyclopedias of jazz. Now comes his autobiography **The Jazz Years: Earwitness to an era** (Quartet, £11.95, 310 pages), a selective retrospective of his close involvement with jazz spanning over half a century. It is a personal view of someone truly close to almost all those involved in the music from the mid-1930s. Duke Ellington and Billie Holiday have chapters to themselves while elsewhere he describes his ground-breaking championing and recording of women musicians and singers and his international experiences listening to jazz. Feather writes with incisiveness and modesty yet with justifiable pride about his achievements; but a little more humour would have enlivened the pages.

No shortage of humour, however, in Jim Godbolt's **All This and Many a Dog** (Quartet, £12.95, 217 pages). In two parts, the first is a revised version of his earlier "All This and 10%" (published in 1976), the second recounts his career following its publication when, after three years reading electricity meters, this slightly eccentric, sometimes misunderstood member of the British jazz fraternity became a successful author with his "History of Jazz In Britain." The new material deals mainly with Gentleman Jim's brushes, as an LEB employee, with canines and also the dogs of the publishing world. More than a chuckle guaranteed.

Weighter matters are dealt with by Robert Gordon in **Jazz West Coast** (Quartet, £12.95, 242 pages), a detailed survey of the scene in the Los Angeles area from approximately the mid-1940s until the end of the 1950s. Not everything happening in that time came from the much vaunted "cool school," as the author readily proves; equally, a significant amount happened in that region outside the period he covers. The account is enhanced by perceptive descriptions of many recordings from that period.

Gordon begins his first chapter observing that Modern jazz burst upon the Los Angeles scene in December 1945, when trumpeter Dizzy Gillespie brought his sextet from New York for an engagement at a Hollywood club. In that group was the legendary alto-saxist Charlie Parker, one of the founding fathers of Modern jazz. Aside from Louis Armstrong, probably more has been written about Parker than any other jazz musician. Adding to the pile is **Celebrating Bird** by Gary Giddins (Hodder and Stoughton, £10.95, 128 pages). This is a lavishly illustrated but not heavily detailed account, to quote the sub-title, of "The Triumph of Charlie Parker," beautifully and sensitively written by one of America's foremost jazz writers. Giddins generously acknowledges the co-operation of Stanley Crouch, who is engaged on an exhaustive study of Parker's life and art. This does not diminish one iota Giddins' short but illuminating sketch of this revered musician.

Kevin Henriques

Rien ne va plus...

EASY MONEY: INSIDE THE GAMBLER'S MIND
by David Spanier. Secker & Warburg. £12.95, 209 pages

WHEN WE were "jung and easily freudened," we had the inveterate gambler sussed out: he was a self-punishing neurotic who played in order to lose.

David Spanier's erudite and intriguing book does not dispose of this view entirely, but shows that there is a lot more to be explained about gamblers than is dreamt of in your psychoanalysis.

In a final chapter that takes in, among others, Pascal and Einstein, he comes close to suggesting that all the world's a casino, and all the men and women merely players.

Some play, or rather gamble, harder than others, of course, and an American psychiatrist quoted in the book urges us to recognise at least five categories of dedicated gambler: the sub-cultural, the impulsive, the neurotic, the psychopathic, and the symptomatic, although it is not tremendously enlightening to be told that the "syndrome of pathological gambling" can be spotted by "the presence of an overwhelming urge to gamble."

Until I read this book, I had taken it as axiomatic that there is no system by which the gambler can beat the roulette wheel, no matter what runs of luck he may have. In the not-so-long and the long run, the casino is the only winner.

But here is Ed Thorp, an assistant professor of mathematics at MIT, already the deviser of "a winning strategy for blackjack," smuggling an analogue computer with toe-operated switches, so tiny that it fits into a sacroiliac belt slung across his chest, into the casino, while his wife backs him up with coils of antenna wire worn as a yoke round her shoulders and—you guessed it!—a solenoid plate on her stomach—and all to monitor the force of the croupier's throw, the point of entry of the ball, the speed of rotation of the wheel, the ball's impact on the centre rotor, with a view to turning "two or three dimes into a pile of silver dollars."

If this is easy money, lead me to the hard stuff. But like so many gamblers, Professor Thorp's in it not so much for kicks as kicks in the pants. Yea, he has tried the stock market, but not with exactly mouth-watering results.

What this book does show is that there's nowt so queer as gambling folk. All the famous members of the tribe appear here, from Aspinall to Zographos.

The description of Aspinall mixing it with somersaulting and chest-thumping gorillas is only one of a number of memorable vignettes in a compulsively readable book which, for all the breeziness of its style, goes deep into its subject.

David Phillips

Fiction

Drudges to whizz women

HER MOTHER'S DAUGHTER
by Marilyn French
Heinemann, £10.95. 757 pages

HOUSEHOLD GODS
by Jon Thurley
Hamish Hamilton, £10.95.
278 pages

THE END OF TRAGEDY
by Rachel Ingalls
Faber, £10.95. 184 pages

MY HEART sank at the bulk of Marilyn French's Her Mother's Daughter, then rose again when I began to read. It is an exciting work, able to evoke times and places with what seems total recall, so honest and clear it makes other family tales seem fudged and muddy.

Four generations of mothers and daughters — Frances, Belle, Anastasia, Arden — are covered: from Polish immigrants at the lowest level of want and drudgery to successful, famous career-women; and their men, who, though sometimes beguiling and attractive (in youth, at least), are almost uniformly hopeless, impossible, weak, cruel, tyrannical, and bolstered in all their failings by the system, their upbringing.

Women, it seems to say, hold up the world, the family, keep it all going, suffer over and over, particularly in, through and on account of their children. Men get the credit and the rewards, while remaining little boys, spoilt, wanton, immature and often vicious.

All this it manages to say without the rhetoric of feminism, its stylistic mannerisms and tricks of language; though how it manages to avoid strident attitudes I am not quite sure, since its theme is the sufferings and the exploitation of women. Time and again, I had the shock of recognition (yes, that's just it!), so seldom found in every-day flat fiction, more often in poetry or drama. Yet in spite of its appalling sadness, it is never depressing, never a down-beat experience.

Jon Thurley's Household Gods is about British India, its aftermath and its effect on later generations. If life is to make sense, it seems to say, and the personality is to flourish, the family background with its household gods must be understood, come to terms with. What happened to Mark Hodder's father after Partition in 1947? Did he die, or vanish to some unimaginable life? Mark in middle age embarks on the usual pilgrimage of remembrance, returning to the old places, questioning survivors, recalling what he can of a seven-year-old's world.

The action, part remembered, part rediscovered, is a complicated dance of politics, friendship, infidelity, class-consciousness and lust. Among the British, the fierce sense of racial superiority and the internal class-and-school divisions; among the Indians, an equal confusion of attitudes, loyalties and feelings; among children, incomprehension and the seeds, planted early, of later prejudices and attitudes; in everyone, a knowledge of coming catastrophe yet an ignorance of its appalling scale. The author was a child at the time of Partition and travelled in one of the "Trains of Death" here described with a kind of lurid restraint.

It is not at all a bad novel, well written (though occasionally lapsing into things like "Winter's hand had stripped the chestnuts of their plumage"). But it suffers from comparisons. Paul Scott's more powerfully conjured world overhangs it all, as well as the many recent filmings and televisings which have made names, places, language and lore familiar to outsiders.

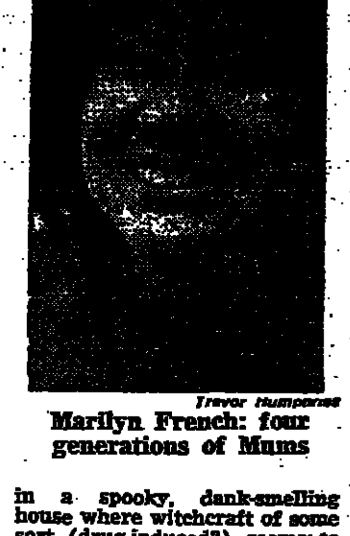
So, somehow, it disappoints. Is it simply that we seem to have been there before, and too often? I think it is more basic a flaw—a lack, not of intelligence or even inventiveness but of creative power.

Rachel Ingalls' The End of Tragedy is almost alarmingly creative: out of nothing, with a snap of magical fingers, it conjures worlds. There are four long-short stories, all macabre, uncomfortable and often literally rather than morally disgusting—ie, they make you feel physically sick. But that is because of their skill in arousing reactions.

In "Friends in the country" a couple are invited to dinner in a spooky, dank-smelling house where witchcraft of some sort (drug-induced?) seems to reign. The meal is revolting: the wine tastes like plasma; the meat is "so chewy and tough, you could almost imagine [it was] parts of a bat"; the coffee is like "boiling urine." There are toads in the shower, and later, more toads attack their escaping car, in thousands. Carnivorous toads, at that.

In "In the act" a man invents a mechanical woman so life-like she almost, though not quite, seems human: a full-scale lubricious doll of hideous off-reality. In the title story trust and betrayal are involved: between lovers, spouses, friends. Is a man who pushed his first wife over a precipice likely to push the second?

They are excellently written, therefore effective: spare and sinewy, gruesome, horrendous, sometimes funny. As bedtime reading, unless you have iron nerves, I don't recommend them. But in sunshine and with humour, and perhaps a pinch of salt, the stories are—almost—a delight.



Trevor Humphries

Marilyn French: four generations of Mums

Isabel Quigly

CRIME

DIVIDED TREASURE
by David Williams. Macmillan. £8.95, 223 pages

A WORM OF DOUBT
by M. R. D. Meek. Collins. £9.95, 191 pages

MARK TREASURE, banker and amateur detective, has to visit a Welsh village, for business reasons in Divided Treasure. Most of the villagers welcome him warmly, but his arrival also sparks a considerable amount of violence. The author's love of the Welsh coast is delightfully evident (as is his love of church architecture). His sense of character is as keen as his sense of place, and the plot, while as thick as the sugar syrup it involves (a sweets factory is the chief milieu of the story) is also completely convincing. Tasty fare.

A Worm of Doubt by M. R. D. Meek takes us into a world of village knavery. Charming, handsome, but feckless former pilot cheats on his rich wife. His girl friend is murdered, and lawyer Lennox Kemp—Meek's recurrent protagonist—investigates and, in the nick of time, finds the villains and rescues a kidnapped boy, after a good chase. The story is told with admirable economy and straightforward prose.

William Weaver

ARTS

Max Loppert reviews Covent Garden's latest production

Haitink's new Figaro

THE NEW production of *Le nozze di Figaro* at Covent Garden (sponsored by Citicorp/Citibank) is lively, stimulating, full of ideas. After the delayed start to the 1987-88 schedule caused by the chorus dispute, and the limp revivals that trailed in its wake, the opera season begins at last: a stage alive with strongly motivated, cogently rehearsed characters and a musical performance asserting its distinctive musical identity make all the difference in the world. This is Bernard Haitink's first Royal Opera new production since assuming the full Music Director title; it introduces to Britain the noted German producer Johannes Schaaf and his designer Xenia Hausner (sets) and Peter Pabst (costumes); the cast combines first-rate *Figaro* singing-actors already known here or at Glyndebourne, with a couple of newcomers to spice the mixture.

There is a tension set up between the 18th century design properties and the sometimes sharply late-20th century slant of Schaaf's production — and for the most part it proves wholly creative. The entire opera is played under the segment of a Baroque dome; the architectural pattern of this Aguas Frescas (rather a grand dwelling for a minor aristo like Almaviva) places a chain of smaller domestic rooms around a back-centre rotunda: foreground and background are spliced so that the character confrontations are always unfolded against the imposing (and indeed threatening) bulk of the Count's domain.

Colours (peach, salmon, buff, rose-madder, a striking royal-blue cape for the Count) and textures (sponged paint surfaces, gilt edgings, tumbling drapes) are beautifully assorted, though at moments the whole picture proves a bit indigestible, like one of the more ambitious British Rail hotel lounges. The "fourth wall" suggestions and the breaching of the proscenium arch in Act 4 make for untidiness (the superseded Copley-Lazardidis *Figaro* solved the problems of the Act 3 finale and garden scene more discreetly). There is one horrid costume, a cerise shepherdess outfit à la Watteau that flatters the Junoesque attractions of Karita Mattila's Countess not at all. But in general this *Figaro* design is warm, colourful, and serviceable.

Schaaf is obviously a notable theatre man—that comes across at every moment. He has thought hard about words and music, and rubbed hard against their bounds without actually breaching them (though the silent presence of a Countess at prayer during "Vedro, mentr'io sospiro" very nearly does so). "Too many ideas, my dear Schaaf," one occasionally wants to murmur, Emperor Joseph-like: the reductive psychology imposed on the Countess (she has sought refuge in the wine bottle and crippling headaches) and the ingenuities of business (such as the use of the hand-mirror so that the Countess can spy out what is missing on Cherubino's commission) threaten to prove counter-productive even while one admires the fleet stagecraft.

But the frame holds. I love the Latin passions—flare-ups, smiles, tenderness, all overt—of this Figaro and Susanna; admire the way Schaaf and Thomas Allen (in perhaps the star performance of the evening) have balanced handsome looks and manners with violence, sadism, sneering contempt and cruelty; and delight in the kaleidoscopic shifts and currents of behaviour patterns, the blend of comedy and menace (the Count's readiness to draw his sword is a "political" image that strikes deep). Act 4, with a tall Countess and a petite Susanna impossible to mistake for each other and unaided by the lighting, is still unfinished; for the rest, the success of the production is welcome.

Karita Mattila and Thomas Allen

Vocally—apart, that is, from the competent, colourless Cherubino of the German soprano Stella Kleindienst (British debut)—this is a fine *Figaro*. Allen's superb Count has been mentioned. Claudio Desderi, an Italian Figaro loved at Glydnebourne and now likely to endear himself to London, takes the sudden fining-down of dynamics too far for a house of this size, but the cut and thrust of his words, the Italian bite of his tone are a continual pleasure, and they seem to have infected the *Susanna of Marie McLaughlin*, earthier, more emotional, more vulnerable than before (Miss McLaughlin is in wonderful voice). Miss Mattila is young, amply talented, creamy-voiced, not quite "complete" (tonal variety is wanting, legato comes and goes).

Sarah Walker gets Marcellina's aria, Robert Tear Basilio's. Neither made me feel the inclusions were justified (but then few *Figaros* do); both are otherwise richly rounded creations. Dmitri Kavrakos (Bartolo) has one of the most beautiful bass voices currently before the public but there was a touch of stand-and-deliver that one hopes will be counteracted. All the smaller parts are well taken — this extends to the chorus of bumpkin villagers, open-mouthed in awe of Almaviva's palatial splendours.

Haitink's Covent Garden *Figaro* is not yet in scale: the problem of reconciling small-house stylistic precepts (the correct ones, of course) and large-house demands was on Thursday only fully solved towards the end—in the finales of the last two acts one suddenly heard the rhythmically buoyant, fresh, unforced articulation of parts that at Glyndebourne has been this conductor's Mozart hallmark. No need to worry: one of the admirable features of Haitink's work is the way he works—honestly, thoroughly, full-heartedly—towards solutions. Future editions of this *Figaro* should be something to look forward to.

Justin Broackes visits an unusual chamber music festival in Dubrovnik

Mixing up musicians

THERE ARE not many chamber music festivals in the world, and there are even fewer where in a 12-day programme you will not hear a single string quartet. This is one of the unusual features of Dubrovnik's September festival, which takes musicians out of their normal habitat and regroups them in less familiar ensembles. "We want to create a new tradition," says Seppo Kimanen, one of the Festival organisers. "Here you will find no Chilingirian, no Amadeus Quartet. The members of the Chaikovsky Trio are all here, but they aren't playing together but in sextets and quintets."

Dubrovnik hosts two festivals a year. The main festival has occupied six weeks in July and August every year since 1949, offering theatre, music and dance often of high international standards. After the worst of the tourist influx has cleared in September, the chamber music festival begins. Founded only last year, it is a quieter and more domestic affair, but of an equally high standard. Some 20 players, mostly soloists from Yugoslavia, France and the Soviet Union, play in chamber groups which they would usually be unable to put together during the rest of the year.

For performers as well as listeners, one of the great natural advantages of Dubrovnik is the Rector's Palace, the unostentatious 15th century building to which the ruler of the city used to be confined during his month of office, unable to leave except on official business. There are far worse places to be imprisoned in, and the Atrium is an elegant Renaissance court which is an ideal setting for the chamber concerts. Without being grand, it seats three hundred comfortably, while others sit on the Baroque staircase or look down from the arches of the first floor gallery.

The planning of the festival is very much in the hands of Seppo Kimanen, the Finnish cellist of the Jan Sibelius Quartet who founded the festival with Pavel Vernikov and Konstantin Bogino, two instrumentalists who emigrated from Moscow after marrying Yugoslav women. The musical director is Ivo Drazinic, the resident conductor of the Dubrovnik Orchestra.

Their conception of the festival is relaxed and informal. First comes the choice of the central theme—Mozart and the French Impressionists for 1986, the Age of Schumann for 1987, the Italian Baroque, and Russian music from Chaikovsky to Shostakovich, for 1988. The choice of theme dictates the choice of players to invite, but once they arrive they are free to make changes to the programme and experiment with new items of repertoire.

It is common today for a string quartet to play together for 30 years; they study initially with an established quartet, and later give master classes passing on to younger quartets their approach and aspects of their interpretations. By contrast in Dubrovnik, the musicians approach the works with new energy and little weight of the past.

The freshness is well supported by rehearsal however, and especially because Dubrovnik is the third in a series of yearly festivals organised by Kimanen. The festivals in Kuhmo in Finland in July, and in Portogruaro, near Venice, in early September, have some overlap with Dubrovnik, and offer the chance for players to develop their interpretations.

Aiming to create a new tradition, the Dubrovnik festival in some ways returns to older traditions. It is only quite recently that chamber music has appeared in the concert hall: in the 18th century its place was in the court, and in the 19th in the home of the musician and his friends. Dubrovnik has done much to recreate the original atmosphere of chamber playing, in a Renaissance palace, with visibly friendly musicians welcoming a few hundred visitors to their musical evenings.

(The 1988 Dubrovnik Chamber Music Festival takes place from 13th to 24th September, concentrating on the Italian Baroque and on Russian music from Chaikovsky to Shostakovitch.)

Playing in the Atrium of the Rector's Palace

B. A. Young visits the Cheltenham Literary Festival

Faustus enlivened

Peter Lindford

The *Faustus* with which the Actors Touring Company grace the first week of the Cheltenham Festival of Literature is played as a three-hander. Peter Lindford plays the Doctor, a provincial intellectual with a three-piece suit and modest spectacles. George Anton makes Mephostopholis tall, handsome and friendly. When Faustus is signing his fatal contract, his seducer lights a casual cigarette. Later, bidding a reluctant Faustus, "Think on the devil," he tempts him with a cigar, a bottle of champagne and a vision of what might be the Hammersmith Palais.

David Westhead represents Beelzebub, sometimes seen lurking watchful but silent upstage, more often incarnated as Wagner. Mr Westhead also does the Pope, Charon and the Emperor Carolus. He also speaks the choruses.

The opening and closing passages are played in the familiar text, and exceedingly well. But the foolery between them, which can so easily become dull, is enlivened with extracts from Lucian's Dialogues of the Dead and a bit from a translation of the 1597 translation of the original Faust Book. Comedy is still retained, though we do not see Robin and Ralph; there 's an excellent rendering of the seven deadly sins by Mephostopholis, whose Lechery gives Faustus total satisfaction. But added to it there is some excellent pathos.

Faustus is taken to the Underworld by way of Charon's ferry. One of the things he sees is a rack of bodies hanging from a rail, bodies of the once famous. When Helen is pointed out among them, Faustus gives a modern language version of the "Was this the face" speech, for throughout the scene, time has been moving on, and it ends with a Dixieland version of "*After you've gone.*" (The proper Helen speech is given when Helen appears in Marlowe's own time).

Music from an on-stage tape-machine is imaginatively used. Faustus is given an unMarlovian glimpse of Paradise, where we hear the slow movement of Schubert's quintet. Later, when Faustus is due for his eternity in Hell, the Schubert is briefly touched in again, to show what he is missing.

This wonderfully imaginative production is directed by Mark Brickman, and the designs are by Lez Brotherston. The ATC seldom plays anywhere for more than a couple of days, and it is worth noting that *Faustus* moves on to Chipping Norton, Thame, Fareham and Basingstoke during the next two weeks.

Radio

They are coming to get you

CZECHS ALL seem to write like Kafka. Vaclav Havel's *Largo desolato* concerns the problems of Leopold Nettles, a philosopher who has written a paper disapproved by the authorities. Whenever the buzzer sounds in his room he reckons They have come for him; yet it is either his mistress Lucy, or two workers from the paper-mill bringing him some unauthorised stationery, who want him to write something new, to lead an initiative..

When They do come, Lucy is only wearing a towel, but they take her away and suggest to Nettles that he should write a recantation, "covering all the basics." Nettles declines. The next bell brings a girl student: she tells him not to turn an unjust punishment into a purifying experience. What he really needs is love, with her. They come back; his case is adjourned ("it would be superfluous"), and Nettles begs everyone to leave him alone. Yet when they are all gone he still has his constant suspicion, "Is anyone there?"

Tom Stoppard's translation gleams with wit and understanding. It was beautifully played under Matthew Walter's direction, with Richard Briers as Nettles.

A similar theme moved a very different play, *Dialogues on a Broken Sphere*, on Radio 3 yesterday. (Radio 3 drama is to Radio 4 as the RSC is to Shaftesbury Avenue.) It is about the reluctance of Nicolaus Koppernigk, a.k.a. Copernicus, to publish his theories of planetary orbit lest he upset all established beliefs. He is visited by a young professor from Wittenberg, Rheticus, who has read the unpublished treatise and wants to see it published. He works with Koppernigk for three years and returns triumphantly with the manuscript, only to be turned away for an old scandal. Yet the paper is published.

Mr Davis had decorated this good tale with too many distracting sub-plots (the play ran almost two hours). There were endless intrusive travel shots; an episcopal order dispelling women servants from religious lodgings; Koppernigk's exiled brother and the suspected murder of his uncle Lukas; Rheticus's new career as an eminent trigonometrician. They add period flavour but are not in themselves very interesting. Fine playing by Freddie Jones as Koppernigk, Hywel Bennett as Rheticus, Peter Vaughan as Bishop Giese, John Moffatt as Sculete. John Tydeman was the director.

In Shaftesbury Avenue, on Sunday and Wednesday, the first two of Kingsley Amis's stories adapted by John Scotney. *Moral Fibre*, on Wednesday, was about Betty. Social worker Mair finds Betty a job in John's house, but she soon leaves to join the "business girls" in Ogmore Street. Mair has another go; Betty and her Norwegian husband Ben and her often-abandoned children are found a house, but Betty is constantly visited by her Ogmore Street friends. So when John, through whose eyes the story is told, calls to see her, an enraged Bent thinks he is one of that lot, and Betty simply tells him to mind his own business. John summarises the story's moral, that doing good to people is risky. I enjoyed listening, but I am not sure that among the humour of Jane Morgan's direction the moral came out sharply enough.

On Wednesday, Radio 4 began an interesting three-part series about the medical and psychological study of facial expression, which apparently matches emotions similarly in all cultures, however primitive. I thought it began with a howler. Presenter Peter Evans, shown a video of a face saying: "My bab bort me to brive" reckoned he had heard "My dad taught me to drive," and the mistake was attributed to lip-reading. Any amateur ventriloquist can tell you that the lip movements are accepted as being visibly wrong: it is the sound that provides the meaning.

B. A. Young

Video

An upwardly mobile month

THE WORLD of video continues to expand. As if the flood of feature films were not enough, for a humble critic monitoring the market from a monthly column, the non-fiction areas of video are now bursting every available bank.

Subjects such as fishing and travel are becoming firm favourites in teach-yourself cassettes. From Masterclass this month you can learn the secrets of *Advanced Trout Fishing*, *Still-water Trout Fishing* and *Advanced Salmon Casting*. From Abercrombie and Kent come such travel titles as *Into Africa*. *Zim Zam Bots* (short for Zimbabwe, Zambia and Botswana) and the intriguingly titled *Luxury Barging*; no doubt borrowing some strong tips from history's great luxury barger, Cleopatra.

As if this swell of self-improving titles were not enough, the Yuppie Video is now upon us. By browsing through the Telstar library, the young upwardly mobile person may now learn about such matters as: *Hair and Beauty*, *Self-Assessment* and *Standing On Your Own Two Feet*. Most of us more or less vainly confront these matters each time we get up in the morning. But here is the true professional opinion on the subject, specially primed and packaged for your VCR.

Latest stage in video technology's own bid for upward mobility is colourisation. Little has been heard about this process in recent months: perhaps because importers of colourised films from America were temporarily scared off by the howls of protest emanating from UK critics and commentators when the first computer-tinted opus reached us, Frank Capra's *It's A Wonderful Life*.

But Vestron this month release a colourised version of *The Little Shop of Horrors*, Roger Corman's 1960 comedy-shocker which inspired the Broadway musical and the recent movie thereof. A young Jack Nicholson (pre-stardom) wades through the newly-applied puces, ochres and spinach-greens as the crazed florist who grows a monster plant. Corman's exuberant B-movie gets a chromatic face-lift it never dreamed of and would almost certainly never have asked for. But at least the film is not a Capra classic, or anything grander, and one feels marginally more indulgent towards the delinquent palette.

The Reluctant Dragon (Walt Disney) is a delightful children's documentary about movie enhancement 1940-style. American humourist Robert Benchley wanders round the Disney studios during their half-a-century-ago heyday and is shown the techniques of cartoon-making: how colours are mixed, how sound effects are created, and how four-footed favourites like Goofy and Bambi grow from a gleam in the cartoonist's eye to fully rounded, fully mobile characters. Buy this now for your children, or squirrel it away until Christmas for a surefire present.

Adults, finally, should find their treats among the three best movie releases on video this month. Woody Allen's *Hannah And Her Sisters* (Rank) is the mirth maestro's cantata for several voices — including himself, Mia Farrow and Oscar-winning Michael Caine and Dianne Wiest — set in a New York of funny agony and run-away mid-life crisis. *The Colour Of Money* (Rank) is Martin Scorsese's pulsing sequel to *The Hustler*, with pool-playing Paul Newman teaching the tricks of the trade, and the trade of trickery, to youngster Tom Cruise. And, wearing more whiskers, Sam Peckinpah's 1971 *The Ballad Of Cable Hogue* is a splendid tragi-comic Western about a Crusoe-like outcast (Jason Robards), besieged in his desert hideaway by the neophytes of a new America: including whore-with-a-heart Stella Stevens and charlatan preacher David Warner. All human life is here — as elsewhere on this month's video menu.

Nigel Andrews

Chess No. 692

1B-B3, B-N6; 2 B-N4, and if B-B5; 3 B-K6, B-N6; 4 B-B8 and 5 B-N7, or if 2 . . . B-R5; 3 B-K6, B-B3; 4 B-B8 and mate next. 1 B-N4? B-N4! fails, as does 1 B-B7? B-N6! 2 B-N8,B-R7; 3 B-K6,B-B5.

FINANCIAL TIMES SURVEY

Edinburgh city centre. Some executives are going north, attracted by an improved quality of life

There is an optimistic mood one year after Big Bang. Fears that Scotland would be squeezed off the financial map have been allayed. There is now a need for more effective promotion in international markets, writes **James Buxton**, Scottish correspondent

Old strengths, new business

"I SUPPOSE I shouldn't really say:'I told you so", one of the leading figures in the Scottish financial community remarked recently, commenting on the current disarray in some of the City of London financial conglomerates.

One year after Big Bang, people in the Scottish financial services industry are in optimistic mood. Scotland, they believe, is profiting both from its traditional strengths and from the decision of many members of its financial community to remain aloof from the restructuring that accompanied Big Bang.

Only a year ago the mood was rather different. There was fear that the sheer size and dynamism of the City of London could lead to Scotland being squeezed off the map. Partly in recognition of this vulnerability, virtually every institution and firm involved in the industry in Scotland came together in 1986 to form an organisation called Scottish Financial Enterprise, to promote Scotland as a financial centre.

A report commissioned by the Scottish Development Agency even cast doubt on the veracity of Scotland's claim to be Britain's (or even Europe's) second financial centre - after London.

In the nineteenth century the Edinburgh investment trusts were almost the equivalent of the venture capital funds of today, financing the expansion of the United States. That dynamism was only revived in the mid-1950s and 1960s, led by the expansion of the investment managers Ivory and Sime. Even then Edinburgh was initially slow to enter the unit trust industry.

As Big Bang approached, independent fund managers such as Martin Currie and Baillie Gifford trusted that their detachment from the City of London would prove an asset. Mr Angus Grossart, head of the Edinburgh merchant bank Noble Grossart, vigorously attacked the concept of conglomerate financial institutions.

The Bank of Scotland, the most successful Scottish clearing bank, decided not to ally itself with anyone else. The Royal Bank of Scotland, however, took a different line and acquired Charterhouse, the London merchant bank.

The independent investment managers, most of them in Edinburgh but with Murray Johnstone a major presence in Glasgow, are now riding high. Together with the nine Scottish life assurance companies, their funds under management rose 30 per cent in the six months to June this year, to reach £52bn - about 20 per cent of all funds under management in the UK. Much of the growth was due to new business coming to Scotland.

Mr Graeme MacLennan, joint managing director of Edinburgh Fund Managers, says he believes that independent fund managers are winning Round One of the battle for pension fund management against the London conglomerates. "We believe the trustees of these funds are increasingly uneasy about leaving segregated accounts with the conglomerates," he says. "They are uneasy about Chinese Walls and question whether the management teams there can be properly incentivated." However he warns that Round Two will see the conglomerates fighting back.

The life companies saw a 54 per cent increase in new single premiums in the first half of 1987, and are now gearing up for the expected boom in personal pensions over the next few years.

Not all the 80,000 - 90,000 people who work in Scottish financial services work for old-established Scottish players. Charterhouse very recently hived off its pension fund business, its new unit trusts and its private client investment service into a separate company, Capital House, based at Capital House in Edinburgh.

The new company, Chief Executive Mr Norman Riddell, is now a separate leg of the Royal Bank group and will have a Scottish identity - a factor which SFE's executive director Professor Jack Shaw believes is an attractive selling point for savers.

Another new player is Edinburgh Investment Trust, which after a run of disasters gave up its trust status and has been converted into a financial services concern under the management of two former directors of Noble Grossart - Hamish Grossart and Hugh Barry. It is offering corporate and asset finance services from Edinburgh, and investment management from Glasgow.

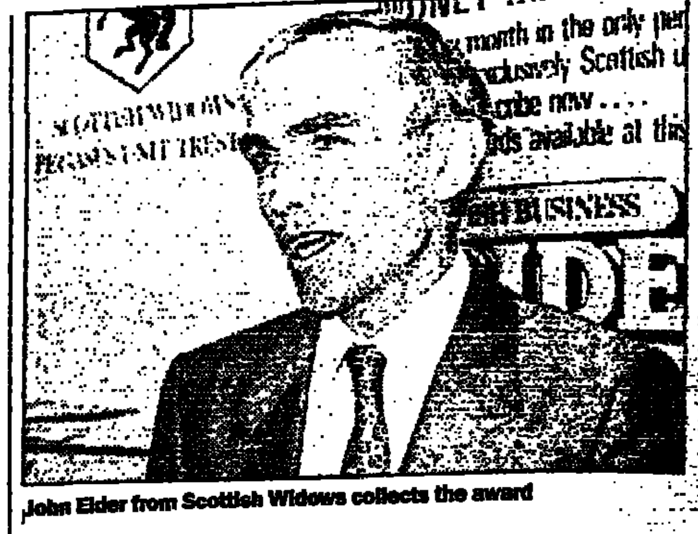
Though some of the Scottish financial institutions lost a number of staff to the allure of London in the run-up to Big Bang, there is now a flow the other way. Some highly qualified executives are being recruited to the north, attracted not by higher salaries - they may have to take a cut - but by the less stressful lifestyle in comparison with London. "Often it's their wives that press them to make the move," says Richard Fletcher who runs Fletcher Jones, a head-heading agency.

The desire for a better lifestyle was one of the factors recently prompting a team of Far East securities specialists from the brokers James Capel to establish themselves in Edinburgh in order to service the city's investment managers.

But Scotland also has its weak points. Some of its institutions remain vulnerable to unwelcome takeovers. It has no significant markets, so there is less need for financial decision-makers to come to Scotland. The expansion of financial services in Edinburgh - though not Glasgow - is jeopardised by shortage of office space, though this may, at last, be being resolved. Air links with the US and Europe are often poor.

The next task is for Scotland to market itself more effectively in international markets. Traditional links with the US and Canada are being exploited, but perhaps not as fast as they might. The European Commission is trying to liberalise EC trade in unit trusts.

Graeme MacLennan tells how, on a recent visit to Montreal, the only familiar face in a businessmen's club was an executive from another Edinburgh fund manager, Dunedin. Both were trying to sell Scottish investment expertise. It was an impressive coincidence, but it should be happening more.



John Elder from Scottish Widows collects the award

Unit trusts

Life companies step up efforts

"IN FIVE years from now, the unit trust industry will be dominated by the traditional life companies."

This sweeping assertion was made by Mr Tom Edmund, head of Standard Life's unit trust operation, Standard Life Trust Management. And, as far as his group is concerned, his prophesy is well on the way to being fulfilled.

With funds under management amounting to £2.5bn, Standard Life is already the third largest unit trust group in the UK, a position reached in just five years since the group set out to be a major player in this sector.

Scottish Widows', in a less flamboyant style, has brought its funds under management to over £350m, collecting in the process "The Scottish Unit Trust Group of the Year" award for 1986/87.

The other Scottish life companies are stepping up their marketing efforts also to become major players in the unit trust sector - Scottish Life has a major promotional campaign scheduled to start in a few days.

Only Scottish Amicable, of the Scottish life companies, has yet to take the plunge into the direct unit trust market.

This turnaround by life companies, from marketing unit-linked life products to marketing unit trusts direct to the public, reflects the growing awareness of the overall tax efficiency of unit trusts as an equity investment vehicle for most investors, compared with the corresponding linked-life bonds.

It is one of the factors behind this year's boom in unit trust sales in the UK, which reached a record £10.16bn in the first eight months of 1987, with net new investment amounting to £4.78bn. Scottish management groups are participating fully in this boom.

This switch by intermediaries from bonds to unit trusts could well accelerate further next year when the financial services legislation comes into operation.

The commission scales, which apply to independent financial service intermediaries, will be harmonised to remove product bias in selling. The best advice requirements should result in such intermediaries promoting unit trust investment.

All Scottish life companies sell their products entirely or mainly through independent intermediaries, as do the Scottish independent fund managers. The Scottish life companies, with the exception of Scottish Life, are fully involved in the campaign, known as Camifa, to maintain a viable independent intermediary sector under the financial services legislation.

The main factor behind Tom Edmund's assertion is that the the unit trust sector is currently market-driven, rather than investment driven, as is the corporate pensions sector. In particular it is new-issue driven.

New issues are extremely popular with intermediaries - they are easier to promote than existing funds, no matter how successful an investment track record behind the fund.

Scottish life companies have the financial muscle to undertake in-depth marketing campaigns, though no Scottish life company has yet shown the ambition of Royal Life Fund Managers to spend £5.9m promoting three new unit trusts and selling over £300m of units.

Life companies also have the in-depth sales network to promote their unit trusts, the independent intermediaries being serviced by a countrywide network of inspectors and specialist consultants.

In contrast, the Scottish independent fund managers do not appear in the unit trust limelight, despite their active involvement in the sector and an excellent investment record.

They may not achieve the spectacular sales successes with their new funds in comparison with that seen from the life companies. But with very little marketing expenditure, they are taking £20m-£30m a launch.

The independents service their unit trust intermediaries with very few, but dedicated, sales personnel. Baillie, Gifford has just one London-based marketing executive, but other groups have slightly more - usually four or five.

They are all seeking to increase the number of personnel by one or two. But as far as numbers are concerned, the independents will be sparse on the ground compared with life company networks. They may be forced to concentrate on being niche operators, relying on their continued investment record, in the face of mass marketing by the life companies.

Eric Short

Investment trusts

Still ignored

INVESTMENT trusts and Scottish financial services are synonymous. It was here that the first pooled investment-cum-venture capital medium was launched over a century ago.

Some idea of the growth and progress of investment trusts can be gauged from the experience of The Scottish Investment Trust which celebrated its centenary earlier this year.

Formed in 1887 with an equity capital of £250,000, with a further capital subscription of £1m in 1929, its assets currently are worth over £400m.

However, over the past two decades, investment trust groups have been struggling to re-establish themselves in the eyes of the investing public against intense competition from unit trusts and linked-life bonds.

Despite investment trusts offering a consistently higher average return than unit trusts, they are still ignored by the investing public even though the management groups are trying to project a higher profile.

Such messages are not just sour grapes from the Scottish Groups. They all have separate unit trust operations that are fully sharing in the current unit trust boom. Bob Bergin of Murray Johnstone sees no clash between the two investment vehicles and feels there is room for both.

Edinburgh Fund Managers in the launch of its new investment trust EMF Dragon Fund this year pitched the offer at £12m - being closed-ended it has to decide in advance the amount of the offer. Its comparable unit trust, EMF Pacific Fund, being open ended, took £23m with, by other groups' standards, a low key marketing campaign.

The investment groups have endeavoured to match the investment opportunities of unit trusts. They now offer a product range of general and specialist UK and overseas funds. Some have a portfolio management service of investment trusts. And they now offer a monthly savings plan into investment trusts for as little as £30 a month.

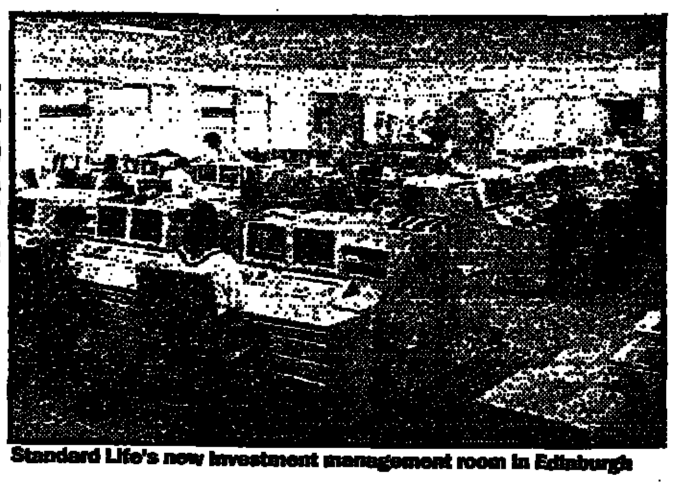
But there is by no means complete unanimity among the Scottish investment trust groups on the effectiveness of these various ploys.

Mr Angus Grossart, chairman of The Scottish Investment Trust (SIT) commenting on the Trust's centenary, points out the disadvantages of a specialist trust "being boxed in when, as inevitably happens, its market sector falls". He refers to a general trust, like SIT, with its wide investment policy, being able to move out of "lack-lustre situations into growth opportunities elsewhere".

Views also vary on the use of regular savings schemes to bring investment trusts to the public. Baillie Gifford and Dunedin Fund Managers both re-

continued opposite

SCOTTISH FINANCIAL SERVICES 2



Standard Life's new investment management room in Edinburgh

Pensions

New Act will have big impact

THE SCOTTISH financial services industry has a strong and growing involvement in the UK private pensions sector.

The independent fund managers are expanding their presence in the corporate pensions field. A combination of an excellent investment record from most of the managers and their independence from other financial operations is enabling them to secure new clients and expand the funds under management.

The Scottish life companies have always been major players in the individual pensions market - both self-employed and executive pensions and, to a varying extent, in the corporate pensions sector.

The clearing banks are reorganising their merchant banking operations to compete in the corporate pension fund management field.

However, next year, the government's brave new pensions world, brought about by the 1986 Social Security Act, comes into being. It could have a major impact on the Scottish financial services industry.

One aim of the government is to expand the private sector pension provision, thereby reducing dependence on the State. Another objective is to give employees a wider pensions choice, by allowing them to make their own pension arrangements, outside of the State Earnings-Related Pension Scheme (Serps) and/or the company scheme through the new style personal pensions.

In line with this wider choice, the third major change brought about by the Act is the ending of the virtual monopoly of life companies in providing individual pensions. Next year, banks, building societies and unit trusts will be able to provide the savings element of individual pensions.

However, it is far from clear what the effects of the Act will be on the current pensions situation.

The Act makes it easier for employers to set up their own company pension scheme on the less financially demanding money purchase basis contracting out of Serps - known as Comps (Contracted-Out Money Purchase Scheme).

A growth in such arrangements should add to the demand for fund management services. However, it is unlikely that many Comps will be set up on a self-administered basis requiring outside fund managers.

Most employers currently without a scheme are smaller employers, who if they take a Comp will require a full package - administration and investment - and this will be supplied by life companies.

However, there is a strong possibility that employees could use their new-found pensions freedom to switch out of their company scheme into personal pensions. This could result in a run down of company schemes, with a shrinking of funds to be managed, and an expansion of the retail side.

Indeed, the individual pensions market can be expected to grow as employees not in a company pension scheme are persuaded to take out personal pensions for at least the minimum contribution. These minimum contributions offer far better returns to younger employees than Serps at no extra cost to the employee or his employer.

All this is good news for Scottish life companies. Scottish Amicable unveiled its contracts for 1988 a few days ago. Standard Life, which has been continually setting and updating the situation for intermediaries in its Strategy '88, expects to launch its products at the end of next month. Other will be following with their plans.

Life companies are not concerned, at least in the short term, over the wider competition. The Department of Health and Social Security and the Inland Revenue between them have laid down such a complex administration system that newcomers to the pensions field will find it virtually impossible to cope within the time scale.

Only Murray Johnstone and Dunedin Fund Managers intend to use their unit trust operations to offer personal pensions at next July's start date. The Scottish clearing banks appear to be in the early planning stages for their personal pensions.

Meanwhile, the Scottish life companies, in common with all other life companies, intend to make the most of the final months of their monopoly by heavily marketing retirement annuity schemes, due to be replaced by personal pensions, both to employees as well as the self-employed. A bonanza is expected.

Eric Short

Independent investment houses

Formula for success

BIG BANG has done wonders for the Scottish independent investment houses.

Their corporate pension fund investment management services have been widely sought over the past year, and both clients and funds under management have been expanding steadily.

Mr Bill Johnstone of Edinburgh Fund Managers sums up the reasons for the success of his company and of the other independents.

The groups are independent so there is no conflict of interest and no dissipation of efforts into other financial activities. The groups are purely fund managers.

Every fund manager now has to operate on a clean-fee basis: so fund managers are being selected and judged solely on performance, rather than apparent no-cost operation because of hidden charges. Here EFM has a long-term performance in the top quartile, with the other groups not far behind.

There is low staff turnover, so there is continuity of fund managers dealing with particular funds - something trustees like.

A good ratio of clients to fund managers means managers do not have too many accounts to service. To this can be added a personal service and good dialogue between fund manager and client.

In addition to these factors there is the spadework that has been put in by the groups over the past five years to get pension consultants to realise that the Scottish independents are more than simply Investment Trust managers.

The groups are being selected both for their overall investment skills to manage balanced portfolios and for their particular expertise in certain areas, particularly the Far East, to handle specialist portfolios.

Thus Martin Currie is one of the four managers handling balanced portfolios for British Rail's pension fund and one of two managers managing Courtaulds Far East portfolio.

It is significant that the groups are securing local authority superannuation fund management - English as well as Scottish.

The only independents not participating fully in this growth are the largest, Ivory and Sime, which admits its performance suffered from wrong timing in its US investment, and the newest, Dunedin Fund managers, which has only been marketing itself for a year and still needs to get known.

However, much greater emphasis is now being placed on the retail side of fund management, with the current boom in unit trusts and next year's introduction of personal pensions.

Here the independents could find themselves not so well placed in what is becoming an increasingly competitive field.

There prime involvement in the retail side is investment trust management - the foundation of the whole business. Although investor interest in investment trusts is growing, it is lagging very much behind the popularity of unit trusts.

The managers are very much in the unit trust field, but their investment expertise is not being translated into marketing success. Funds are growing, but at a less spectacular pace than that of unit trust operations of life companies and the established unit trust groups.

No Scottish independent has entered the Personal Equity Plan (Pep) market. With true native shrewdness, they cannot see any benefit to them under the existing terms for Peps.

However, the independents are active in the venture capital market. Indeed, this can be regarded as a return to their origins, since investment trusts were the nineteenth century equivalent of venture capital.

Have the independents the necessary resources - capital and human - to meet the challenges of the next decade? All claim that they can generate enough capital resources internally to finance development, none of them have grandiose plans for rapid growth.

However, Ivory and Sime has been told by the Investment Managers Regulatory Organisation - the body from which it will obtain authorisation under the financial services legislation - that it needs more capital. David Ross admitted that the balance sheet was "skinny" in terms of assets and the problem was being dealt with.

The independents have no problems getting the necessary fund managers and marketing staff, despite the lure of London.

They always have had a policy of recruiting and training graduates and claim that the leaving rate is low. They are now recruiting trained fund managers and finding expatriates wanting to return to Scotland.

Eric Short

Trusts still ignored

continued from previous page

port a steady stream of investors into investment trusts by this route. In contrast, Edinburgh Fund Managers as yet has no savings scheme, being unconvinced that the long-term benefits will offset the initial costs.

However, the investment trust companies are still endeavouring to sell on the investment record, whereas unit trusts is very much a market- and new issues-driven operation. Royal Life Fund Managers has been able to sell over £300m units as a result of a massive marketing campaign despite an indifferent investment record.

The Scottish managers are now looking more closely at means of making easier dealing in investment trusts. Investors like a problem-free investment.

The managers are hoping that investment trusts will get a fairer crack of the whip from intermediaries when the financial services legislation comes into effect next year.

These managers feel that under the best advice requirements, intermediaries should mention investment trusts to clients as well as unit trusts.

Eric Short

Banks and corporate finance

'Like a super-tanker'

IF ANYONE had said four months ago that a bank from Australia would be poised to enter and stir the relatively placid waters of Scottish banking, they would probably have been thought mad. Yet that is what is now happening, as the end of October date approaches for the transfer of the Clydesdale Bank from the Midland to National Australia Bank.

The Clydesdale, Scotland's third biggest bank, was sold to National Australia by the Midland for £390m as part of the Midland's big streamlining operation, which included the sale of banks in Ireland.

The sudden takeover of the Glasgow-based bank by the Australian institution received a relatively warm public welcome in Scotland, despite the fact that very little was known north of the border about the Australian institution or its plans. Nor was the deal subjected to examination by the Monopolies and Mergers Commission.

The main reason for the positive reaction is that the Clydesdale had become a somewhat sad institution under the Midland's ownership. Unlike the other Scottish banks, it was confined to operate in the relatively sluggish Scottish economy, in which its geographical strengths were in the north east - recently hit by the downturn in the North Sea oil industry and farming - and in the economically weak west of Scotland.

Furthermore the problems of the Midland itself meant that the Clydesdale's lending powers were severely constrained. Many of its staff had become demoralised.

Mr Nobby Clark, managing director of National Australia Bank said when the takeover was announced that the Clydesdale would become "the flagship of our European operations". But it is clear that while the bank is almost certain to expand south of the border the immediate focus of management will be to restore its position in the over-banked Scottish market. That will mean more domestic competition for the Bank of Scotland and the Royal, which between them have eroded the Clydesdale's share of the Scottish market to somewhere between 15 and 18 per cent.

"A bank is like a super-tanker," says a close observer of the Scottish banking scene. "It takes a long time to turn round but once it has turned round it tends to forge ahead."

A year after Big Bang the two major Scottish banks may each be saying that they made the right decision in responding to the shake-up. The Bank of Scotland set its face firmly against becoming a conglomerate and has been able to watch some of the conglomerates stumble. At the same time it pursues ingenious ways of penetrating the English financial services market without a real branch network south of the border.

The Royal Bank, having merged its Scottish bank with Williams and Glyns, chose a modest version of the conglomerate route and must be pleased that Charterhouse, its corporate finance and investment services subsidiary, is regarded as one of the more successful of the post Big Bang merchant banks.

The success of the Bank of Scotland's strategy seems to be confirmed by its announcement last month of a 40 per cent increase in its operating profits for the half year to August 31. At the net level, however, they were virtually unchanged at £55.7m because of provisions of £21.5m for sovereign debt.

At the other end of the scale, Scotland's most recently-formed retail bank, Adam and Company, set up in 1983 and designed to cater for the needs of wealthy individuals, is also developing well. Last year it acquired Continental Trust, a small private bank, as a result of which it gained a London branch in Pall Mall and more than doubled its balance sheet to £53m in the year to June 30 1987 when it made a profit of £438,000.

Adam and Co, named after the economist Adam Smith, is the first Scottish bank to be formed for nearly 150 years. It is based in Charlotte Square and has recently opened a branch in Glasgow. Though at least a third of its customers come from the south east of England, it finds the fact that it is based in Edinburgh a strong marketing point in the rest of Britain.

The difficulties of developing a strong corporate finance sector outside the City of London were emphasised recently by the row which developed in Scotland over the appointment of financial advisers in the privatisation of the two Scottish electricity boards.

Offence was caused when the Scottish Office appointed a joint team led by Barclays de Zoete Wedd and the British Linen Bank to advise it.

James Buxton

WEEKEND FT

• SPORT •

US Sport/Ben Wright

Baseball's Blue Jays strike out

LAST WEEKEND may well have been the weirdest ever in the long and once distinguished history of American professional sport.

Just when it seemed very probable that the Toronto Blue Jays would clinch the title as the East Division champions of baseball's American League, they lost their last seven matches.

They performed what Associated Press referred to as: "One of the great disappearing acts in major League history." The Blue Jays losses included last weekend's final three against their closest rivals, the Detroit Tigers in Detroit, allowing the Tigers instead to take the title.

Detroit now challenges the West Division's Minnesota Twins for the American League championship in the best of seven games for the right to challenge the winners of the National League playoffs, the St Louis Cardinals or the San Francisco Giants in the World Championships final series, again the best of seven games.

Only a week previously in Toronto, the Blue Jays had come from behind three times to beat Detroit, on each occasion by a single run. The Tigers won the fourth game, again by a single run — three-two — in 13 innings, but the Blue Jays then still had a two-and-a-half game advantage.

Toronto then lost three straight games to the Milwaukee Brewers and, by a strange coincidence, their final three to Detroit, again on each occasion by a single run last weekend.

Before the first Toronto-Detroit series four managers of other American League teams were canvassed by The Detroit News for their opinions on the outcome of the division race.

They voted unanimously in favour of the Tigers, deluding Sports Illustrated magazine into commenting sarcastically when Toronto won the first series three-one in their own stadium: "One fact was now abundantly clear to the Tigers and four red-faced managers: the Blue Jays have what it takes to win. for sure."

John McNamara manager of the Boston Red Sox, summed up the situation perfectly and prophetically in the poll: "Toronto has the best all-round talent in our League, but Detroit has the chemistry—the knowledge of what it takes to win."

McNamara and the other three managers concerned had obviously not forgotten that in 1985, when the Blue Jays won their only division title, they subsequently led the Kansas City Royals by three-one in the best of seven games American League play-offs, and promptly fell apart, losing the next four.

Last year Toronto rallied into a position only three-and-a-half games behind division-leading Boston on September 1, only to fade pathetically into fourth place, nine-and-a-half games back. The Blue Jays have now established such an unenviable record that it is certain to haunt them for ever.

By contrast Detroit started against Minnesota last Wednesday with all the momentum in their favour, since the Twins had previously lost their last five games of the regular season, but were still able to coast to a comfortable victory in the American League West Division.

The St Louis Cardinals were likewise finally quite easily able to hold off the defending World Champion New York Mets in the National League East, while San Francisco finished six games clear of the disappointing Cincinnati Reds in the National League West. Their series opened in St Louis last Tuesday night.

On a sentimental note the graceful hitter Reggie Jackson ended a spectacular and often controversial 21-year career last Sunday night in Chicago, where his Oakland Athletics lost five-two to the White Sox.

Jackson recorded 563 home runs, but was perhaps best known as "Mr October" for his ability to hit them in the World Series. In 1977 he hit no less than five for the triumphant New York Yankees. Unlike the Blue Jays, Jackson usually produced his best when the pressure was greatest, the test of a truly great athlete.

* * *

KEN BROWN has battled long and honourably on the USPGA Tour to acquire "the knowledge of what it takes to win." Last Sunday Brown, a member of the victorious European Ryder Cup team, achieved his initial breakthrough at the age of 30 in this, his fourth year on the American tour in sensational fashion, winning the Southern Open in Columbus, Georgia by seven shots.

Terry Kirk

Refusing to play ball: football strikers

The Harpenden, Hertfordshire-born Scot led by five shots going into his final round, but had to cope with a late charge from the crowd's favourite, Masters champion Larry Mize, who lives just across the road from the entrance to the Green Island Country Club course on which the event was played.

Mize at one stage pulled to within four shots of Brown, but he faded by dropping shots to par at two of the last four holes to only tie for second place. Brown's victory margin equalled the previous best of the season set by Tom Kite and Robert Wrenn in the Kemper and Buick Opens respectively.

Alas, Brown's famous first victory was not seen on television, traditionally reserved largely for professional and college grid iron football at weekends from September until January. In an obvious and disturbing omen of things to come for the Tour, the sports cable network ESPN instead chose to cover the $1m Vantage seniors championship won by the youngest senior of them all, Al Geiberger, who turned 50 on September 1.

* * *

TURNING from the sublime to the truly ridiculous, the owners of the professional football clubs of the National Football League took the field last Sunday with teams composed of a crazy blend of those few professionals who chose to cross the picket lines manned by their striking brethren, some previously discarded veterans, some young hopefuls, and many hopelessly inefficient players.

Seven teams had their smallest ever crowds, and in Washington, the Redskins failed to achieve a sell-out for the first time in 160 games over 22 seasons. The biggest crowd of the day was in Denver, in a stadium traditionally sold out. But the sparse crowd there of 38,494 diwndled to a few thousand in the second half as the Bronchos were blown away by 40 points to 10 by the visiting Houston Oilers.

There were a few bright spots and several promising performances. But, largely speaking, the matches I watched while vainly searching for a worthwhile one on my television set were a sick joke, as is the strike. It is very difficult for the man in the street to sympathise with players whose average wage for a 16-game season is $230,000, particularly in the knowledge that the IQ of many of them would make it difficult for them to hold down a job performing even the most menial task.

What is perhaps the most disturbing aspect of the whole shoddy affair is that four major sponsors of football telecasts, General Motors, Ford, Chrysler and the Miller Brewing Company, saw fit to withdraw their commercials from last weekend's broadcasts.

As usual it is the poor fan who suffers the worst indignities, and if the anger I have come across is anything to go by, the game may never fully recover from its second players' strike since 1982. It is my opinion that by the time this reaches your breakfast table the players should already have capitulated and, if that is so, not a moment too soon.

Soccer/Philip Coggan

Lineker: modest British hero

Gary Lineker

RARELY CAN there have been a footballer with a more appropriate middle name than Gary Winston Lineker. For he is an old-fashioned hero, the stuff of which Battle of Britain pilots were made, an ambassador for such qualities as politeness, modesty, even excellence.

Lineker could once have been a first-class cricketer—Leicestershire wanted to sign him. He could perhaps have been an athlete—he was Leicestershire Schools' 400 metres champion. And he still is a good snooker player, knocking in century breaks against his friend Willie Thorne, a leading professional.

All that talent might have been expected, in modern times, to produce a prima donna. But despite being dogged by some of the most ruthless defenders in the world, Lineker has never been booked—and that in an age when tennis players are better known for their blasphemies than their backhands and athletes owe more to their chemists than their coaches, Lineker, however, is a practician of the long-lost art of sportsmanship.

Saint or sinner, though, he would not have attracted a £2.2m transfer fee if he could not provide that vital commodity — goals. Fortunately, they just keep on coming: 29 in his last season for Leicester, 40 in his only season for Everton, 18 in the harsh environment of Barcelona and, of course, six of the best in last year's World Cup.

There are some who find Lineker worthy but dull, marcaroni cheese compared with the rump steak of, say, Argentina's Diego Maradona. And it is true that he is a subject for admiration rather than adoration in the eyes of the sporting public. The British reserve their greatest affection for wayward geniuses like Alex Higgins and George Best, affable rogues like Jimmy Greaves, or even big-hearted triers like Henry Cooper.

Perhaps this reflects the love of the underdog and the elation that comes when victory results despite, rather than because of, a sportsman's own characteristics. Could boxer 'Enry land his fabled 'ammer—the punch that once flattened the young Cassius Clay—before he received his customary cut and had to quit? Would soccer maverick Best actually turn up?

It is true that Bobby Charlton, the general of England's 1966 World Cup-winning football team, achieved the status of national mascot by exhibiting the same qualities of self-effacement and sporting rectitude as Lineker. But he had two advantages: a cannonball shot, which led to a thrill of anticipation every time he got the ball; and his baldness.

The British like their heroes to look more like milkmen than supermen. Remember David Steele, the silver-haired cricketer thrust into the limelight when he resisted the pace of Australia's Dennis Lillee and Jeff Thomson? He was the very image of the Dunkirk spirit, the bank clerk sent to war against impossible odds.

In the same way, Charlton's thinning thatch, and the way his carefully placed strands of hair used to fall out of position in the heat of the match, only increased the public's affection.

Lineker, by contrast, with his boy-next-door looks, could be slightly too wholesome for British tastes. And there is a feeling, perhaps, that his football lacks flair; that it makes more of an impression on the scoreboard than on the memory.

Such a description would be rather unfair. After all, England have been stuck with so many clodhopping, leaden-footed forwards that they ought to be only too grateful for a striker with genuine pace. But it is the marriage of that pace with Lineker's gift for anticipation that turns a good striker into a great one.

Not only can he see a position in which there might be a goal-scoring opportunity, he can get there that vital fraction of a second before a defender. And that allows plenty of scope for creative players like Glenn Hoddle and Peter Beardsley to make full use of *their* individual talents.

It might be true that he scores most of his goals from within five yards. But he is at least able to get that close to goal rather than wander about aimlessly in midfield as English players so often do.

England have been stuck for many years in the strategic rut of the high cross to the hulking centre-forward. It took them until the brink of disaster in the 1986 World Cup before they discovered how to make use of Lineker's best talents — only, after glorious victories against Poland and Paraguay, to be defeated by Argentina.

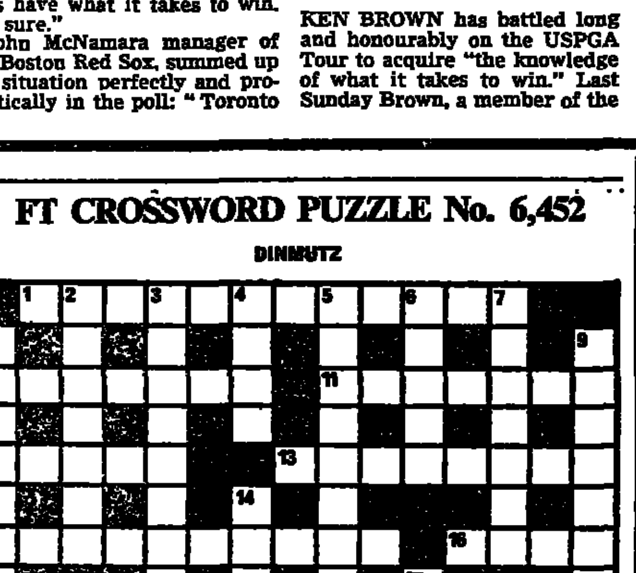
That game, as a new book* illustrates, highlighted the differences between the skills and the temperaments of Lineker and Maradona. Lineker, writes Rob Hughes, "will never so long as he lives score such a goal as Maradona's second which left five sprawling Englishmen in his wake." But, Hughes adds neither will he have "the presence of mind, the warped side of Maradona's genius, to fist home a goal that his head cannot reach."

Perhaps, though, an old-fashioned sporting hero would only have been embarrassed by paeans of praise. The Spanish, after all, have summed up Lineker in just two words — Gary Goal.

**Lineker Golden Boot, published by Collins Willow at £8.95.*

FT CROSSWORD PUZZLE No. 6,452

DINMUTZ



Prizes of £10 each for the first five correct solutions opened. Solutions, to be received by next Thursday, marked Crossword on the envelope, to The Financial Times, 10 Cannon Street, London EC4P 4BY. Solution next Saturday.

ACROSS

1 Collector of numbers on line directs one with wheel (5-7)
10 Conditions of agents' charges? (7)
11 Is this dog difficult to walk? (7)
12 Topping stuff for cold symptoms (5)
13 Normal colours (8)
15 Range-rides ordered for these guards (10)
16 Detached area of youth in Caribbean (4)
18 Range of medical psychology (4)
20 Improved moiety for common spouse (6,4)
22 Constitution makes this place tidy in a way (8)
24 Dish of cooked tripe (5)
26 Trip in the dark, say, with this compound (7)
27 Euphoric at altitude? (3-4)
28 No light aircraft, this interceptor (5,7)

DOWN

2 Piece of rigging used by deserter on a number of ships (7)
3 Complete irregular triangle (8)
4 Distress signal to ring in an indifferent way (2-2)
5 Erase outside broadcast the scholarly follow (10)
6 One in variety act in Italian city (5)
7 Warms up her teas perhaps (7)
8 Singer, for example, eschewing main variation (6-7)
9 Substantial spanner, we hear, in Venice (6,2,5)
14 No main course that some people cut up? (4-6)
17 PC 30 upset? Take these three tablets together (8)
19 Change up-train for one on narrow track (7)
21 A step up? (7)
23 Acting, I am embraced by one with luminous nose (5)
25 Wine for some toasting (4)

Solution to Puzzle No 6,451

Solution and winners of Puzzle No 6,446

Miss C. Hawley, Clifton, Bristol; Mr E. A. Bence, West Worthing, West Sussex; Mr Bill Oldhams, Stalford, Milton Keynes; Mr J. R. Wells, Fareham, Hampshire; Mr A. H. Brentnall, Cockermouth, Cumbria.

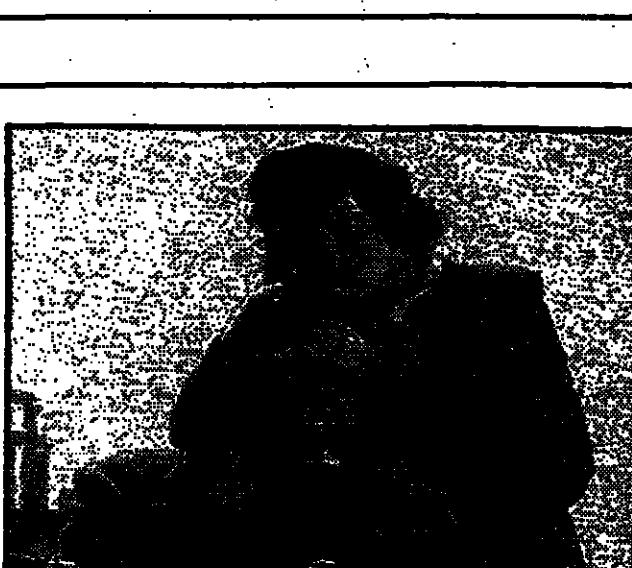
TELEVISION AND RADIO

SATURDAY

† Indicates programme in black and white

SUNDAY

† Indicates programme in black and white



Fortunes of War: BBC1, 9.05 pm